



No. RMD/SS/16/54
FOR INFORMATION OF ALL MEMBERS

05th Oct'16

**Securities Segment
Imposition of Volatility Margin: Hair Cut Rates to be stepped up**

In terms of Chapter VII(C)(3) of Securities Settlement Regulations, Clearing Corporation may impose volatility margin in case of a sudden increase in volatility in interest rates and/or bond prices and such margin shall be applied on the outstanding trades or the securities contributed towards SGF in the Securities Segment. At present, Volatility Margin is applied as a percentage of the Initial Margin on all outstanding trades and is effectively a temporary increase in Initial Margin.

2. With effect from 07th Nov'16, imposition of volatility margin will also result in a temporary increase in hair-cut rates applicable on the securities deposited towards SGF in this segment.

For example:

ISIN A

Hair-cut rate in Securities Segment	4%
Volatility Margin (VM) imposed	25%
VM adjustment to Hair cut	1%
Applicable Hair-cut till withdrawal of VM	5%

3. Imposition of Volatility Margin will therefore result in re-valuation of the securities deposited towards SGF in the Securities Segment. For the purpose of this re-valuation, securities would be valued at their traded prices (based on outright trades with Face Value above Rs.5.00 Crores). Securities for which traded prices as mentioned above are not available would be valued at their latest valuation price as per CCIL.

4. Such increase in hair cut rates on account of imposition of Volatility Margin may result in reduction in SGF value. If it is observed that the SGF balance of a member is inadequate to



cover the margin requirements on account of the member, it shall be the responsibility of the said member to replenish the shortfall within one hour.

5. In case such revaluation of securities results in increase in value of SGF even after applying the increased haircut rate, such increase in value will be ignored.

6. The adjustment for volatility margin to the applicable haircut shall be temporary and shall be reduced / withdrawn with the reduction / withdrawal of volatility margin in the Securities Segment.

7. The change will come into effect from **07th Nov'16**.

For The Clearing Corporation of India

Sd/-

Managing Director
