



THE CLEARING CORPORATION OF INDIA LTD

Risk Management Department

No. RMD/DRVVT/19/41

09 Sep'19

FOR INFORMATION OF ALL MEMBERS

Rupee Derivatives Segment

Dear Sir/Madam,

Changes to the Regulations of the Rupee Derivatives Segment

Members are hereby advised that the Regulations of the Rupee Derivatives Segment have been amended to strengthen CCIL's risk management framework by incorporating the following:

- i) Take assistance from external rating agency to obtain short-term credit ratings
- ii) Hike margins in case of adverse developments

2. The changes effected to the Regulations of the Rupee Derivatives Segment are enclosed as **Annexure**.

3. The updated Regulations are available on our website (www.ccilindia.com) under Membership section and shall be effective from **October 14, 2019**.

Yours faithfully,

For The Clearing Corporation of India Ltd.,

Sd/-

Managing Director



THE CLEARING CORPORATION OF INDIA LTD

Annexure to Notification No. CCIL/RMD/DRVT/19/

THE CLEARING CORPORATION OF INDIA LIMITED

**CHANGES TO REGULATIONS
(Rupee Derivatives Segment and Rupee Derivatives (Guaranteed
Settlement) Segment)**



THE CLEARING CORPORATION OF INDIA LTD

CHAPTER I: INTRODUCTION

The Regulations shall be known as The Clearing Corporation of India Ltd (Rupee Derivatives Segment) Regulations 2010 and as amended in ~~2018~~ October 2019.

CHAPTER VIII: RISK MANAGEMENT

The provisions of this chapter shall be applicable only to those Members of Rupee Derivatives (Guaranteed Settlement) Segment.

A) SCOPE

- 1) This Chapter outlines the risk management process of Clearing Corporation for its Rupee Derivatives Segment. Clearing Corporation may, after due notification, change its risk management processes relating to its risk containment measures from time to time.
- 2) Clearing Corporation shall cover its risk through prescription of initial margin (including spread margin), mark to market margin, volatility margin and concentration margin;
- 3) The Initial Margin on the outstanding trades of the Members shall be computed based on Portfolio Value at Risk for such portfolios of outstanding trades comprising of trades accepted for guaranteed settlement. Such amount shall be supplemented by recovery of an additional amount as spread margin. Clearing Corporation may, however, after due notification, set certain pre-specified minimum level for Initial Margin. Marking to market of outstanding trades shall also be carried out to capture risks from notional loss in the outstanding trade portfolios of the Members;
- 4) Clearing Corporation, after due notification, may set different margins for different Members, based on the ratings/gradings assigned to the Members on the basis of certain financial parameters including net worth, asset quality etc. as are considered necessary by Clearing Corporation from time to time.



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Clearing Corporation may take the assistance of any reputed Rating Agency for arriving at such ratings and the decision of Clearing Corporation in regard to the selection of agency or in regard to the ratings arrived at for the Members shall be final and binding on the Members.

Notwithstanding the credit rating/grading, Clearing Corporation may hike margins in case of any regulatory actions/deterioration in financial position/adverse market report etc.

- 5) Clearing Corporation may, after due notification, set limit for each Member in terms of its aggregate outstanding trade exposure of the Member and in terms of total volume of outstanding trades or otherwise, as may be notified by Clearing Corporation from time to time. Such limit may be set by Clearing Corporation based on the Member's nature of business, net worth or such other factors as are considered appropriate by Clearing Corporation. In the event of any Member exceeding such limit, Clearing Corporation may set higher margin for such Member, for all trades or for all trades of the type in which limit has been excluded.
- 6) Mark to Market (MTM) margins shall be collected based on aggregate mark to market loss for the trades with each benchmark (e.g. MIBOR, MIFOR etc.) as reference rate for floating leg. Set offs may usually be allowed between profits and losses on trades in the same benchmark. The process of allowing set offs shall be notified by Clearing Corporation from time to time.
- 7) Such MTM margin shall be computed using the implied swap zero curves for the respective benchmarks, based on applicable Swap rates prevailing at the time of such computation. Clearing Corporation shall be entitled to use such swap rates for mark to market margin computation as it considers reasonable.