THE CLEARING CORPORATION OF INDIA LTD

Risk Management Department

This has been Superseded by Notification No. RMD-FX-FF-20-71 dated 30-Dec-2020 on Risk Management Process and Margin Methodology

No. RMD/FX-FF/11/05   **14th July '11**

FOR INFORMATION OF ALL MEMBERS

Forex Forwards Segment

Margin Computation

Further to our Notification No. RMD/FX-FF/09-20 dated 5th Nov'09 issued in terms of Chapter V (B) and Chapter VIII(C) and of the Regulations of the Forex Forwards Segment, the under-mentioned process will be adopted with effect from 20th August '11 for margin computation for this segment:

A. Initial Margin

1. The process for Initial Margin computation will remain unchanged except as under:

   a) Portfolio for computing Value at Risk (VaR), and Spread Margin will now comprise of all settlement date wise net US Dollar positions (including positions in Spot Window to the extent not accepted in the USD/INR settlement segment on account of inadequate Exposure Limits).

   b) Initial Margin is recomputed as positions get accepted in the Rupee/USD Settlement Segment at the time of entry in the spot window. Initial Margin is also recomputed when any such position is not accepted at entry into Spot window but is accepted subsequently during running of batches.

   c) Forward trades done in the FX SWAP (Dealing) system are subjected to checks for adequacy of margins for both counterparties to the trade online on a post trade basis in terms of para 3.2 of Chapter III of Clearcorp Dealings Systems (India) Limited's Fx-Swap (Dealing) Segment Regulations. For checking adequacy of margins, such trades become part of the trade portfolio considered for computation of margin as stated in para 'a' above.

   d) Minimum Initial Margin will also be based on net US Dollar positions across all settlement dates (including positions if any in the spot window as above)

   e) The method of computation of VaR, Spread Margin and minimum Initial Margin will remain the same.

f) As a corollary to this change, the process of segregation of outstanding trades portfolio into three groups as mentioned in paragraph 1(a) of the above mentioned Notification will be discontinued.

B. MTM valuation and MTM Margin computation

1. Complete off-set will henceforth be provided between MTM loss and MTM gain across all settlement dates. Here, segregation of the outstanding trades into settlement date wise groups mentioned in paragraph B (4) of the above-mentioned Notification dated 5th Nov'09 will be discontinued.

2. In terms of Clause C (2.4) and Clause E (1) of Chapter VIII of the Regulations, if the aggregate of MTM value for a member for all such settlement date-wise positions shows MTM gain, then the member's margin account will be credited with the MTM gain amount and the same will be allowed to be treated as Margin Made Available by the member. Such margin made available can be used against margin requirements in the Forex Forwards segment as well as in any other segment which draws margins from Securities Segment SGF.

3. As a corollary to the process of providing Margin Credit as in para 2 above, if the MTM margin charged in the account of a member is equal to the MTM margin payable on a position which will be in the spot window on the next day as stated in para 7 of our Notification No. RMD/FX-FF/09/20 dated 5th Nov'09, such MTM margin will henceforth not form part of incremental MTM margin.

4. In terms of Clause E (2) of Chapter VIII, such margin credit mentioned in paragraph 2 above will be withdrawn on the day of settlement of the particular position having MTM gain. In terms of Clause E (3) of Chapter VIII, if there is a margin shortfall as a result of such withdrawal of margin credit on account of settlement, CCIL would hold back settlement proceeds to the extent of such shortfall in margin. In terms of Clause E (4), such, withheld settlement proceeds will be released on replenishment of the margin shortfall.

5. In terms of paragraph E (4), if the member fails to replenish the shortfall by the end of the day of such withholding, such withheld settlement proceeds may be credited by CCIL to the SGF account of the member in the Securities Settlement Segment without any further notice to the member.

6. If the withheld proceeds are in the form of US Dollars and the shortfall remains un-replenished, by the end of the day of such withholding, CCIL may dispose of such amount of withheld US dollars as per the process outlined in Clause D (2) (f) of Chapter VI relating to defaults in the Regulations of the Forex Settlement segment. The proceeds of such sale, if

any will then be credited to the SGF account of the member in the Securities Settlement Segment.

7. In case any Forward position is cash settled after entering in spot window, in terms of para E (8) of Chapter IV of the Regulations, Mark to Market loss if any in respect of such position will be computed with reference to the rate for cash settlement and will be collected as margin from the member whose USD sale positions are cash settled.

Sd/-
Managing Director