



**THE CLEARING CORPORATION OF INDIA LTD.**

**Risk Management Department**

**No. RMD/FX/USD-INR/15/19**

**March 3, 2015**

**FOR INFORMATION OF ALL MEMBERS**

**Forex Segment**

**Settlement Guarantee Fund (SGF) - Utilization for Forex Settlement.**

In terms of para A(1) of Chapter III of the Regulations of the Forex Settlement Segment, Clearing Corporation shall maintain a dedicated Settlement Guarantee Fund in respect of the Forex Settlement Segment. Moreover, para I(1) of Chapter III of the Regulations of the Forex Settlement Segment, members of this segment shall be deemed to have authorized Clearing Corporation to utilize the unutilized portion of the Securities Segment SGF towards the margins for Forex Settlement.

2. The methodology for exposure check and margining for the Forex Settlement Segment has been spelt out in the Regulations. As per the process, whenever there is any additional margin requirement, either in respect of already accepted trades of a member or for acceptance of its new trades, it is drawn from the unutilized balance of its above-mentioned SGF account. Whenever margin requirement for the accepted trades of a member comes down, the difference amount is added back to the unutilized balance of the above-mentioned SGF account of the member.

An illustration of the process of SGF blocking and release is presented in the Annexure.

This notification shall be effective from **06<sup>th</sup> April, 2015 onwards.**

Yours faithfully,

**For The Clearing Corporation of India Ltd.,**

**Sd/-**

**Managing Director**

**ANNEXURE**

**UTILIZATION OF SECURITIES SEGMENT SGF FOR FOREX SETTLEMENT SEGMENT**

	Particulars	Amt. in crs.	Unutilised SGF Balance (Amt. in crores)
<b><u>Day 1</u></b>			
	<b>Total contribution in Securities Segment SGF (at market value after applying hair-cut)</b>		<b>99.67</b>
	Margin Requirement in Securities Segment	12.37	87.30
	Margin Requirement in Other Segments – Forex Forwards	18.10	69.20
	Margin Requirement in the CLS Segment	10.00	59.20
	<b>TOTAL SGF used up at this stage</b>	<b>40.47</b>	<b>59.20</b>
	Margin requirement towards new trades of the Forex Settlement segment (on account of Additional Initial Margin (AIM) and MTM Margin)	6.52	52.68
	<b>Total SGF used up including for Forex Settlement at the end of Day 1</b>	<b>46.99</b>	<b>52.68</b>
<b><u>Day 2</u></b>			
	Forex Forwards MTM margin released	(18.10)	70.78
	Margin requirement for Securities Segment trades	30.00	40.78
	Margin release for Securities Segment trades	(9.35)	50.13
	<b>Total SGF used up including for Forex Settlement at this stage</b>	<b>49.54</b>	<b>50.13</b>
	Margin requirement towards new trades of the Forex Settlement segment (on account of Additional Initial Margin (AIM) and MTM Margin)	50.00	0.13
	Increase in Margin requirement on already accepted trades of Forex Settlement segment at Risk Valuation	5.25	(5.12)
	<b>Total SGF used up including for Forex Settlement at the end of Day 2</b>	<b>104.79</b>	<b>(5.12)</b>
	* Margin Shortfall on account of Forex Settlement Segment – Rs. 5.12 Crores		

<b>Day 3</b>			
	SGF Balance at the beginning of Day 3	0.00	(5.12)
	Additional margin deposited <b>Rs. 10 Cr.</b> #		
	MTM margin shortfall of Day 2 in Rs. 5.12 Cr.recovered#	5.12	4.88
	<b>Total SGF used up including for Forex Settlement Segment at the end of Day 2</b>	<b>104.79</b>	<b>4.88</b>
	Incremental MTM Margin on outstanding Forex trades recovered	1.00	3.88
	<b>Total SGF used up including for Forex Settlement Segment at the end of Day 3</b>	<b>105.79</b>	<b>3.88</b>

# Simultaneous Process – described separately for explanation purposes only.