



Risk Management Department

This has been Superseded by Notification No. RMD/SS/21/37 dated 30-Nov-2021 on Enhancements to the approach followed for computation of Margin Factor/Hair Cut rates

No. RMD/SS/18/75

21st Aug'2018

FOR INFORMATION OF ALL MEMBERS

Securities Segment

Enhancements to the approach followed for computation of Margin Factor / Hair Cut rates

We invite attention to our notification no RMD/SS/16/58 dated 01st Nov'16, on '*Enhancements to the approach followed for computation of Margin Factor / Hair Cut rates*'. It has been decided to revise the values of some of the parameters (mentioned in the above Notification) that are used for the computation of Margin Factors and Hair cut rates.

The revised parameters are as under:

- i. Volatility component: The component would be revised to 50% of the Value at Risk (VaR) for the respective security (as against existing 25% of the VaR)
- ii. The floor for volatility adjusted VaR for securities falling in a particular tenor bucket will be the 75th percentile minimum value adjusted by the volatility component (as against the existing 95th percentile minimum value adjusted by the volatility component) from the database of historical 1 day VaR values for securities classified in various tenor buckets.
- iii. The ceiling for volatility adjusted VaR for securities falling in a particular tenor bucket will be the maximum value (as against the existing 95th percentile maximum value) from the database of historical 1 day VaR values for securities classified in various tenor buckets.

This notification shall be effective from 24th September'2018.

Yours faithfully,
For The Clearing Corporation of India Ltd.,
Sd/-
Managing Director