

NSE Clearing Limited

(Formerly known as National Securities Clearing Corporation Limited)

Department : CURRENCY DERIVATIVES SEGMENT

Download Ref No: NCL/CDS/44391

Date : May 15, 2020

Circular Ref. No: 026/2020

All Members,

Sub: Review of Review of Margin framework for Currency Derivatives Segment

This is with reference to SEBI/HO/MRD2/DCAP/CIR/P/2020/27 dated February 24, 2020 and in partial modification to Item no. 8 on Margins of the consolidated circular no. 001/2020 (Download Ref No: NCL/CMPT/43082) dated January 01, 2020.

- The changes in the margin framework are detailed in Annexure 1. The changes shall be made effective from **June 01, 2020**
- To enable members to estimate the revised margins as shall be applicable as per the revised margin framework NSE Clearing Ltd shall be providing following files in parallel from **May 18, 2020**
 - End of day parallel SPAN files
Naming convention nsccl_ix.<YYYYMMDD>.parallel.spn.gz, where <YYYYMMDD> represents the current date
File Location - /CDSFTP/CDSCOMMON/ Parameter
 - End of day client level margin files
Naming convention
X_MG13_<MEMBER CODE>_DDMMYYYY_parallel.LIS.gz
X_MG12_<MEMBER CODE>_DDMMYYYY_parallel.LIS.gz
X_MG18_<MEMBER CODE>_DDMMYYYY_parallel.LIS.gz
File Location - : /CDSFTP/X<MEMBER CODE>/REPORTS
- Revised headings in files shall be as per Annexure 2. The revised headings shall be applicable from **June 01, 2020**. The files downloaded in parallel will be as per the revised heading.

Members are requested to take note of the above.

**For and on behalf of
NSE Clearing Limited****(Formerly known as National Securities Clearing Corporation Limited)**Huzefa Mahuvawala
Vice President

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Annexure 1

Changes in the margin framework

1. Volatility calculation

The value of λ , the parameter which determines how rapidly volatility estimation changes in the Exponential Weighted Moving Average (EWMA) method, shall be fixed at 0.995.

2. Price Scan Range

The Price Scan Range in respect of various products shall be based on 6σ , subject to the minimum percentage of underlying price as tabulated below.

Currency/Interest Rate derivative	Minimum percentage of underlying Price
USDINR	1.50%
EURINR	2.15%
GBPINR	2.25%
JPYINR	2.65%
EURUSD	2.50%
GBPUSD	2.50%
USDJPY	2.50%
Interest Rate Derivatives	1.75%
91 Day T Bill	0.065%
MIBOR	5.50%

3. Volatility Scan Range

The Volatility Scan Range shall be 25% of annualized EWMA volatility subject to minimum 3%

4. Calendar Spread Charge

The Calendar Spread Charge in respect of various products shall be as follows:

Product	Calendar spread charge for spreads in months (INR)			
	1 month	2 months	3 months	4 months or more
USDINR	500	600	900	1100
EURINR	750	1050	1550	1550
GBPINR	1575	1875	2075	2075
JPYINR	675	1075	1575	1575
EURUSD	1600	1900	2100	2200
GBPUSD	1600	1900	2100	2200
USDJPY	1600	1900	2100	2200
Interest Rate Derivatives	1700	2000	2300	3200
91 Day T Bill	110	160	210	260
MIBOR	7000	7500	8000	8000

5. Short Option Minimum Charge

There shall be no separate short option minimum charge for currency and interest rate derivatives.

6. Extreme Loss Margin

The Extreme Loss Margin rates shall be as under:

Product	ELM: Futures	ELM: Options
USDINR	0.50%	0.75%
EURINR	0.15%	0.75%
GBPINR	0.25%	0.75%
JPYINR	0.35%	0.75%
EURUSD	0.50%	0.50%
GBPUSD	0.50%	0.50%
USDJPY	0.50%	0.50%
Interest Rate Derivatives	0.25%	0.25%
91 Day T Bill	0.015%	-
MIBOR	0.50%	-

Notes:

1. In case of calendar spread positions in futures contracts, extreme loss margin shall be levied on one third of the value of the open position of the far month futures contract.

7. Margin on consolidated crystallized obligation

The margin on consolidated crystallized obligation in derivatives shall represent:

On intraday basis	Payable crystallized obligations based on the closed-out futures positions and payable/receivable premium at client level
At end-of-day	Payable obligations at client level considering all futures and options positions

Intraday basis

On intraday basis, the net payable/receivable amount at client level shall be calculated using:

1. Premium payable/receivable
2. Futures crystallized profit or loss (calculated based on weighted average prices of trades executed).

If the overall amount at client level is payable, such amount shall be the intraday consolidated crystallized obligation margin for the client.

End-of-day basis

At the end of day, the payable/receivable amount at client level shall be calculated using:

1. Futures mark to market profit/loss to be settled
2. Options premium payable/receivable
3. Options exercise/assignment for expired contracts
4. Futures final settlement for expired contracts

If the overall amount at client level is payable, such amount shall be the end-of-day consolidated crystallized obligation margin for the client. The margin on consolidated

crystallized obligations shall replace the net buy premium, intraday crystallized losses, assignment margin and futures final settlement margins levied currently. The margin on consolidated crystallized obligations shall be released on completion of settlement.

Annexure 2

Change in file format

1. Detailed margin file for clearing member (MG12)

Naming convention - CUR_MG12_<MEMBER CODE>_DDMMYYYY.CSV.gz

IRF_MG12_<MEMBER CODE>_DDMMYYYY.CSV.gz

X_MG12_<MEMBER CODE>_DDMMYYYY.LIS.gz

X_PROV_MG12_<MEMBER CODE>_DDMMYYYY.lis.gz

File location: /CDSFTP/F<MEMBER CODE>/REPORTS

File details and format:

The file for a clearing member shall contain the following values

Trade date

Trading member /Custodial participant code

Initial margin

Filler

Extreme Loss margin

Margin on consolidated crystallized obligation

Total margin (Initial margin + Extreme Loss margin+ Margin on consolidated crystallized obligation)

2. Detailed margin file for trading member (MG13)

Naming convention - CUR_MG13_<MEMBER CODE>_DDMMYYYY.LIS.gz

IRF_MG13_<MEMBER CODE>_DDMMYYYY.LIS.gz

X_MG13_<MEMBER CODE>_DDMMYYYY.LIS.gz

X_PROV_MG13_<MEMBER CODE>_DDMMYYYY.lis.gz

File location: /CDSFTP/X<MEMBER CODE>/REPORTS

File details and format:

The file for a trading member shall contain the following values

Trade date

Client Code

Initial margin

Filler

Extreme Loss margin

Margin on consolidated crystallized obligation

Total margin (Initial margin + Extreme Loss margin+ Margin on consolidated crystallized obligation)

Client/Proprietary Flag

3. Detailed margin file for clearing member (MG18)

Naming convention - CUR_MG18_<MEMBER CODE>_DDMMYYYY.CSV.gz

IRF_MG18_<MEMBER CODE>_DDMMYYYY.CSV.gz

X_PROV_MG18_<MEMBER CODE>_DDMMYYYY.lis.gz

X_MG18_<MEMBER CODE>_DDMMYYYY.LIS.gz

File location: /CDSFTP/X<MEMBER CODE>/REPORTS

File details and format:

The file for a clearing member shall contain the following values

Trade date

Trading member /Custodial participant code

Initial margin

Filler

Extreme Loss margin

Margin on consolidated crystallized obligation

Total margin (Initial margin + Extreme Loss margin + Margin on consolidated crystallized obligation)