



Risk Management Department

This has been superseded by Notification No. RMD/SS/20/07 dated 04-Feb-2022 on Risk Management process for Tri-party Repo (TPR) trades

No. RMD/CBLO/16/53
FOR INFORMATION OF ALL MEMBERS

05th Oct'16

**CBLO Segment
Imposition of Volatility Margin: Hair Cut Rates to be stepped up**

In terms of Chapter VI(2)(ii), CCIL specifies rates of haircut in percentage terms for all securities eligible for acceptance as collateral. Such haircut rates are applied on the mark-to-market price of such securities.

2. Moreover, in terms of Chapter V (2) (C) of Regulations of the CBLO Segment, Clearing Corporation may impose volatility margin in case of a sudden increase in volatility in interest rates and such margin shall be applied on the outstanding trades or the securities contributed towards Collateral.

3. In terms of the aforementioned provisions, from 07th Nov'16, an increase in market volatility as indicated by imposition of Volatility margin in the Securities Segment in terms of Regulations of that Segment, will result in a corresponding increase in hair-cut rates applicable on the securities deposited towards Collateral in this segment. The magnitude of this volatility adjustment to haircut would be equal to the volatility margin imposed in the Securities Segment.

For example:

ISIN A

Hair-cut rate in Securities Segment	4%
Volatility Margin (VM) imposed in the Securities Segment	25%
VM adjustment to Hair cut for the security in the CBLO segment	1%
Applicable Hair-cut till withdrawal of VM	5%

3. Imposition of Volatility Margin will therefore result in re-valuation of the securities deposited towards Collateral in the CBLO Segment. For the purpose of this re-valuation,



securities would be valued at their traded prices in the Securities Segment. Securities for which traded prices as mentioned above are not available would be valued at the price at which they were last valued at CCIL.

4. Such increase in hair cut rates on account of imposition of Volatility Margin may result in reduction in value of securities deposited as collateral in CBLO segment. If it is observed that the after such revaluation, the member's Borrowing limit utilisation exceeds the value of the collateral deposited, then it shall be the responsibility of the said member to replenish the shortfall within one hour.

5. In case such revaluation of securities results in increase in value of collateral even after applying the increased haircut rate, such increase in value will be ignored.

6. The adjustment for volatility margin to the applicable haircut shall be temporary and shall be reduced / withdrawn with the reduction / withdrawal of volatility margin in the Securities Segment

7. The change will come into effect from **07th Nov'16**.

For The Clearing Corporation of India

Sd/-

Managing Director
