



Risk Management Department

**This has been Superseded by Notification No. RMD/
DRV/21/30 dated 01-Sep-2021 on Default Fund & Stress test
Methodology (revised and updated)**

No. RMD/ DRV/14/08

12th Mar'14

FOR INFORMATION OF ALL MEMBERS

Rupee Derivatives Segment Contribution to Default Fund

In terms of the provisions of Chapter IX of the Regulations of the Rupee Derivatives Segment, it has been decided that Clearing Corporation shall maintain a dedicated Default Fund in respect of its Rupee Derivatives Segment with a view to meeting risks arising out of any default by the members of this segment in discharging their obligations. For any new members joining the segment are concerned, contribution to the default fund is a mandatory requirement.

2. The size of the fund will determined as specified in Clause B of Chapter IX of the said Regulations and will be reviewed at the end of every calendar month.

3. In terms of Clause C of Chapter IX, the member's contribution to the DF shall be determined with reference to the total size of the fund and shall be based on the average outstanding gross trade volume of the member and the average IM contribution during the previous period (Quarter or Month as the case may be), with equal weights assigned to each. *The minimum contribution of a member shall be Rs.1 Crore.*

4. In terms of Clause D of Chapter IX, the individual contributions towards the fund may be in the form of cash and / or eligible Government Securities. All Central Govt. Securities (*except Special Securities*) including STRIPS created out of these securities and Treasury Bills (including Cash Management Bills) will automatically be eligible for deposit towards the Default Fund. A list of eligible Securities is enclosed as Annexure I. Any new security becoming eligible for deposit towards the Default Fund will be notified to the members.

5. The Administration of the collateral deposited towards the Default Fund will be in terms of the provisions of Clause E of Chapter IX of the Regulations.



6. All deposits, withdrawals and substitutions of the contributions towards the Default Fund will be governed by the provisions of Clause F of Chapter IX of the Regulations.

7. Payment of interest earned by the members on their securities contributed to the Default Fund will be as governed by Clause G of Chapter IX of the Regulations. Interest on cash contributed will be paid to the member by Clearing Corporation net of cost and other expenses on a quarterly basis.

8. The securities contributed by members towards Default Fund will be valued daily at end of the day. If the value of the securities net of haircuts falls below a threshold level as notified by Clearing Corporation from time to time, Members shall be required to contribute such additional sums to the Default Fund as may be necessary. To start with, the threshold level will be set at 95%.

10. The utilisation of the Default Fund in the event of a default will be governed by the provisions of Clause I of Chapter IX of the Regulations. The events triggering replenishment of the member's contribution to the Default Fund and the procedure for such replenishment will be governed by the provisions of Clause J of the Regulations.

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