



## 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**This has been Superseded by Notification No. RMD/  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 /18/77

27<sup>th</sup> Aug '18

**FOR INFORMATION OF ALL MEMBERS**

### Rupee IRS Derivatives Segment

#### Default Fund

1. We invite your attention to our notifications, [RMD/DRV/16/63](#) dated 3<sup>rd</sup> Nov 2016 and [RMD/DRV/ 17/21](#) dated 28<sup>th</sup> Jun 2017 issued in terms of the provisions of chapter IX, “Default Fund” of the regulations of the Rupee Derivatives Segment. As stated in clause B therein, the size of Default Fund is determined by the Clearing Corporation on the basis of daily Stress Test results.
2. Members are hereby advised that the methodology for computation of the size of the Default Fund is being revised. The updated methodology for computation of Default Fund is as under:

#### **a) Monthly Default Fund revision**

CCIL shall determine on a daily basis and for each stress scenario, the sum of –

- i. highest stress loss on account of a member and its affiliates and,
- ii. 50% of second highest stress loss on account of a member and its affiliates.

The size of Default Fund, which is revised at the end of each month, shall be based on the highest such sum in the preceding six months, along with the stress losses on account of five weak entities on the same day and the same scenario that had the highest such sum of stress losses.



**b) Additional Default Fund contributions**

In the event, the sum of the highest stress loss on account of a member and its affiliates and 50% of the second highest stress loss on account of a member and its affiliates on any stress test scenario exceeds 95% of prefunded default handling resources (i.e. 95% of the sum of amount earmarked for the segment from Settlement Reserve Fund (SRF) and member contributed default fund), additional contributions towards default fund shall be called from all participants of the segment, to the extent by which such sum exceeds 95% of pre-funded default handling resources.

3. Other provisions as detailed in the above mentioned notifications, RMD/DRV/16/63 and RMD/DRV/ 17/21 shall remain unchanged.
4. Non replenishment of Default Fund within stipulated timelines will attract penalty as per the provisions stated in our notification [RMD/DF/17/11](#) dated 30<sup>th</sup> Mar 2017.
5. This notification shall be effective from 1<sup>st</sup> October 2018 (i.e. on Default Fund revision at the end of September 2018).

Yours faithfully,

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

Sd/-

**Managing Director**