



Risk Management Department

No. RMD/DRV/23/16

23rd May, 2023

FOR INFORMATION OF ALL MEMBERS

Rupee Derivatives (Guaranteed Settlement) Segment

Risk Management Process – Anonymous Trading System

We invite your attention to our Notification No. RMD/DRV/20/66 dated 1st Oct'20 on the risk management processes applicable to the trades executed on the Anonymous Trading platform (ASTROID). ASTROID will now facilitate trading in spread instruments in addition to trading of standard instruments. Members are hereby advised to take note of the risk processes as applicable for the spread instrument on Anonymous Trading System of Rupee Derivatives segment. The updated risk management process for trades concluded on the ASTROID platform is detailed below. The changes being implemented are underlined:

2. CCIL shall offer CCP clearing to trades concluded on the trading platform of the Clearcorp Dealing Systems (India) Ltd. (Clearcorp), a wholly owned subsidiary of CCIL and exposure check of these trades will be carried out on online basis. It will be carried out in two steps as described below:

A. Exposure check in the Trading System

- a. CCIL will set margin factors for the swaps traded on the trading system. The margin factors would be based on 3_5 day VaR for a notional trade of the corresponding maturity and will be re-computed on a daily basis. The margin factors shall apply to both standard instruments and spread instruments.
- b. As soon as a trade is concluded in the trading system, margin adequacy will be checked in the same system for both counter-parties by taking the incremental margin requirement for the trade at Notional Value multiplied by the applicable Margin Factor.
- c. Margin offsets will be allowed only between buy & sale trades in the same swap instrument (e.g. of residual maturity of 1 year) with 50% disallowance for trades done in standard instruments. No offset will be allowed in trading



system between buy and sell trades in separate different standard swap instruments. For spread instrument trades, however, margin offsets will be allowed for buy and sell trades both within and across each spread trade, with a 50% disallowance regardless of the tenors of such instruments. Margin offset will not be permitted between trades done in standard instruments and trades done in spread instruments.

B. Portfolio margining with all outstanding trades of the member / constituent

- a. The margining will thereafter be carried out on-line at portfolio level based in terms of our Notification No. ~~RMD/DRV/20/61 dated 01st Oct'20~~ RMD/DRV/23/13 dated 29th Mar'23.
- b. Actual incremental margin requirement will be assessed and any excess or shortage of margin collected during trading system exposure check will be released or collected, as the case may be.
- c. In terms of para F of our Notification No. ~~RMD/DRV/20/61 dated 01st Oct'20~~ RMD/DRV/23/13 dated 29th Mar'23, Rejection level has been set at 95%. Post-utilisation of 95% of available margin, the concerned member's / constituent's pending orders in the trading system will be cancelled and the member / constituent will be allowed access only in the risk reduction mode. Such Members / Constituents shall be permitted to operate again in the normal mode once their margin utilisation falls below 90%.
- d. However, in case of a clearing member having been placed in the risk reduction mode, all constituents availing client clearing services through it shall be restricted to the risk reduction mode when they have utilised 90% of available margin (replenishment level in terms of para F of our Notification ~~RMD/DRV/20/61 dated 01st Oct'20~~ RMD/DRV/23/13 dated 29th Mar'23). Such Members / Constituents shall be permitted to operate again in the normal mode once their margin utilisation falls below 70% or once their Clearing Member has been permitted to operate again in the normal mode.
- e. Once in risk reduction mode, members and constituents can only place standard instrument orders, not spread instruments orders.

3. There will be tenor group-wise Single Order Limits (SOL) for the members based on their short term credit rating / risk category and Tier I capital / Assets under Management / Net worth (where applicable). Clearing members shall be required to set tenor group-wise Single Order Limits (SOL) for all constituents availing CCP clearing services through it. The SOL



for constituents shall be capped at the SOL applicable for the clearing member itself. Orders placed in spread instruments will be checked against the SOL only for the spread trade's longer tenor instrument, not the shorter tenor instrument.

4. Out of the total margin made available for this segment, a member / constituent will have to allocate a certain minimum amount of margin to the trading system at the beginning of every day. Such minimum amount would be specified by CCIL based on the highest margin requirement for 5 trades in standard instrument with notional equal to the Single Order Limit (SOL) for the member. In case of a constituent, however, such minimum amount would be based on the highest margin requirement for 5 trades in standard instrument with notional equal to the Single Order Limit (SOL) for the constituent as set by its clearing member. A member may however allocate a higher amount for itself or for its constituents. This margin will also be used for meeting margin requirements for the reported trades. Members will also be required to authorise Clearing Corporation to transfer additional margin (out of the total margin made available) for meeting margin liability in this segment and to replenish any shortfall in the margin made available at the beginning of the day as above on their own account and on account of their constituent's.

5. The trading system will ensure that the accumulated orders of a member / constituent across all tenors in the system will not exceed certain multiple of the highest Single Order Limit (SOL) applicable for the member / constituent. Till further notice, the multiple to be used would be 4. The accumulated orders for tenors greater than 5 years, shall however, be restricted to the highest Single Order Limit (SOL) applicable for the member / constituent. The cap on accumulated orders will be proportionately higher for those who opt for making available higher margin in terms of para 4 above. In case of orders placed in spread instruments, only the longer tenor instrument of the spread trade would be considered for monitoring the accumulated order limit.

6. In terms of clause 6 of para 2 of Chapter V of the Regulations of the Rupee Derivatives Dealing Segment Regulations, the Trading system will have risk reduction mode through which a member who is liable to be temporarily de-activated in terms of clause no.5 para 2 of Chapter V of these Regulations, will be allowed to place Immediate or Cancel (*I or C*) orders for reduction of margin requirement. Such orders may be placed in standard instruments only. If it is observed after evaluation in the Derivatives Risk Software that acceptance of an order will reduce margin liability of the member, such order will be allowed to be placed in the trading system.



This notification comes into effect from **05th June, 2023** and supersedes our Notification No. RMD/DRV/20/66 dated 01st Oct'2020 in this regard.

Yours faithfully,

For The Clearing Corporation of India Ltd.,

Sd/-

Managing Director
