



Risk Management Department

Forex Forwards segment

NOTIFICATION

Notification No.: RMD/FX-FF/11/07

Date: 14th July '11

FOR INFORMATION OF ALL MEMBERS

Settlement Guarantee Fund Utilisation (SGF) in Forex Forward Segment (FFS).

In terms of the Regulations of the Forex Forward Segment, all members desirous of availing the facility of guaranteed settlement of Forex Forward trades from trade date are required to contribute collateral to cover their margin obligations in the segment. Further, in terms of the Regulations, unutilized SGF contribution towards Securities segment shall be applied towards margin obligation of a member arising out of acceptance of forex forward trades.

2. The collateral work-flow procedures governing such utilization and rules for interest payment on margins has been notified vide Notification No. CCIL/FX-FF/09/17 dated 26 Oct 2009.

3. The methodology for exposure check and margining for FFS segment has been clearly spelt out in the Regulations of the segment. As per the process, whenever there is any additional margin requirement in FFS, either in respect of already accepted trades of a member or for acceptance of its new USD/INR forward trades, it is drawn from the unutilized balance in its above-mentioned SGF account. Apart from this, some amount may also be kept aside, as per instruction of the member, for meeting margin requirement of Forex Forward trades done in FX-SWAP trading platform. Whenever margin requirement for the accepted trades of a member in this segment comes down, the difference amount is added back to the unutilized balance in the above-mentioned SGF account of the member.

4. An illustration of the process of SGF blocking and release is presented in the Annexure.

For The Clearing Corporation of India Limited

Sd/-

Managing Director

ANNEXURE

UTILIZATION OF SECURITIES SEGMENT SGF IN FOREX FORWARD SEGMENT

	Particulars	Amt. in crs.	Unutilised SGF Balance (Amt. in crores)
Day 1			
	Total contribution in Securities Segment SGF (at market value after applying hair-cut)		99.67
	Margin Requirement in Securities Segment	12.37	87.30
	Margin Requirement in Other Segments – INR/USD MTM margin	18.10	69.20
	Total SGF Used Up at this stage	30.47	69.20
	Margin Set Apart for FX-Swap Trading System trades at 9.30 A.M.	10.00	59.20
	TOTAL SGF Used Up at this stage	40.47	59.20
	Margin blocked for FX SWAP trading system trades released at around 7.30 P.M. (Margin Used – Rs 1 Cr)	(9.00)	68.20
	Margin requirement towards new trades of Forex Forward segment (excluding for trades in FX SWAP trading Platform at around 7.30 P.M.)	6.52	61.68
	Total SGF used up including for Forex Forward Segment at the end of Day 1	37.99	61.68
Day 2			
	Margin Set Apart for FX-Swap Trading System trades at 9.30 A.M.	10.00	51.68
	Margin Requirement in Other Segments – INR/USD MTM margin released at 9.35 A.M.	(18.10)	69.78
	Total SGF used up including for Forex Forward Segment at this stage	29.89	69.78
	Margin requirement for Securities Segment trades at 2.30 P.M.	30.00	39.78
	Total SGF used up including for Forex Forward Segment at this stage	59.89	39.78
	Margin release for Securities Segment trades at 5.30 P.M.	(9.35)	49.13
	Total SGF used up including for Forex Forward Segment at this stage	50.54	49.13
	Margin blocked for FX SWAP trading system trades released at around 7.30 P.M. (Margin Used – Rs 2 Cr)	(8.00)	57.13
	Margin requirement towards new trades of Forex Forward segment (excluding for trades in FX SWAP trading Platform at around 7.30 P.M.)	55.25	1.88
	Total SGF used up including for Forex Forward Segment at this stage	97.79	1.88
	Additional initial margin for Forex Forward trades	2.00	(0.12)
	Total SGF used up including for Forex Forward Segment at the end of Day 2	99.79	(0.12)*
	* Margin Shortfall – Forex Forward Segment – Rs. 0.12 Crores		

Day 3			
	Margin Set Apart for FX-Swap Trading System trades at 9.30 A.M.	0.00	(0.12)
	Additional margin deposited Rs. 60 Cr at 10.00 A.M.#		60.00
	MTM margin shortfall of Day 2 in FFS Rs. 0.12 cr recovered 10.00 A.M.#	0.12	59.88
	Total SGF used up including for Forex Forward Segment at this stage	99.79	59.88
	Margin blocked towards FX-SWAP Trading System trades at 10.20 AM (<i>Prescribed amt. of Rs. 10 crs + Rs.2 crs towards trades already done in Fx-SWAP platform accepted in CCIL's Risk Management system</i>)	12.00	47.88
	Additional Margin Blocked towards FX-SWAP trades at 11:30 A.M.	5.00	42.88
	Incremental MTM Margin on Forex Forward outstanding trades recovered at 12:30 P.M.	10.00	32.88
	Total SGF used up including Forex Forward Segment at the end of Day 3	126.79	32.88

Simultaneous Process – described separately for explanation purposes only