

Risk Management Department

This has been Superseded by Notification No. RMD/FX-FF/21/29 dated 01-Sept-2021 on FxFwd - Default Fund

No. RMD/ FX-FF/13/01**01/Jan/2013****FOR INFORMATION OF ALL MEMBERS****Forex Forwards Segment
Stress Test Methodology for Default fund**

We refer our Notifications No. RMD/FX-FF/10/26 dated 31st Aug'2010 on stress testing methodology used for arriving at default fund quantum.

2. As per the existing process as referred in Para 2 (i), plausible extreme movement in spot and forward is arrived at by shifting Cash rate by 2.50 per USD (short-end) and 13 month forward rate by 4.50 per USD (long-end); intermediate rates are linearly interpolated. Thus a difference of Rs. 2 per USD is maintained between Short-end and long-end rates.

3. In order to bring the short-end shift in USD/INR exchange rate in line with the same used for forex settlement segment, it has now been decided that the shift parameter for stress test at the short-end (i.e. cash rate) will be taken as higher of Rs. 2.50 or 4.70 % of the EOD Spot US Dollar Indian rupee exchange rate.

4. Long-end parameter will be arrived at by increasing the short-end parameter (arrived as per para 3. above) by Rs. 2.00 per USD. Intermediate rates will be linearly interpolated based on the short-end and long-end rates.

5. There is no other change in the stress test methodology.

6. The changes would come in to effect from 01/February/2013.

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