

Equity Derivatives Segment

January 18, 2019

Circular No. : MSE/C&S/EDS/7232/2019

Ref. No. : MCCIL/EDS/1214/2019

Review of Risk management framework

In terms of the provisions of the Rules, Bye-Laws and Regulations of the Metropolitan Clearing Corporation of India Limited (MCCIL), and in reference to MCCIL circular Nos. MSE/C&S/EDS/7111/2018 and MSE/C&S/EDS/7113/2018 dated December 19, 2018. Members are hereby notified as under:

1. Settlement Schedule

The pay-in and pay-out of daily mark to market settlement, final settlement of cash settled futures contracts, premium settlement and the final exercise settlements of cash settled options contracts shall now mandatorily be made by all the members on T+0 basis, i.e. before start of trading on the next day, as per the settlement schedule specified by the Clearing Corporation.

The current facility to clearing members to opt to settle their funds pay in obligation on a T+1 basis shall be withdrawn and all settlement shall be effected before start of market hours on the next day (i.e. T+0).

2. Margins**a. Margin Period of Risk (MPOR)**

The MPOR for all products in equity derivatives segment shall be set as 2 days. Accordingly, the initial and exposure margins shall be scaled up by the MPOR. For initial margins, the revised MPOR shall be given effect by way of scaling up the Price Scan Range (PSR) used for computing the Worst Scenario Loss.

Metropolitan Clearing Corporation of India Limited

Regd. Office: 4th Floor, Vibgyor Towers, Opp. Trident Hotel, Plot No. C62, Bandra Kurla Complex, Bandra (East), Mumbai - 400 098
Tel: +91-22-6112 9000 • Fax: +91-22-2652 5731 • URL: www.mclear.in • Email: info@mclear.in • CIN: U67120MH2008PLC188032

b. Price Scan Range

The price scan range for various products shall be computed as under:

Product	Price Scan Range
Index Futures	(Higher of 3 sigma or 5% of underlying value)*square root (2)
Index Options	(Higher of 3 sigma or 5% of underlying value)*square root (2)
Stock Futures	(Higher of 3.5 sigma or 7.5 % of underlying value)*square root (2)
Stock Options	(Higher of 3.5 sigma or 7.5% of underlying value)*square root (2)

c. Short Option Minimum Charge

The short option minimum charge for index options also stands revised to 5%.

d. Exposure / Extreme Loss Margin

The exposure margin percentage computed for index and stock products shall be scaled up by square root of 2 and shall be as under:

Product	Exposure / Extreme Loss Margin %
Index Futures and Options	3%*square root (2)
Stock Futures and Options	(Higher of 5% or 1.5 sigma) *square root (2)

A summarized view of margins applicable after incorporating the above changes including MPOR of 2 (square root (2) = 1.41) is placed below:

Product	Initial Margin (Price Scan Range)	Short Option Minimum Charge	Exposure / Extreme Loss Margin %
Index Futures	Higher of 3 sigma*1.41 or 7.07% of underlying value	NA	4.24%
Index Options		5%	
Stock Futures	Higher of 3.5 sigma*1.41 or 10.61% of underlying value	NA	Higher of 7.07% or 1.5 sigma *1.41
Stock Options		7.50%	

Metropolitan Clearing Corporation of India Limited

Regd. Office: 4th Floor, Vibgyor Towers, Opp. Trident Hotel, Plot No. C62, Bandra Kurla Complex, Bandra (East), Mumbai - 400 098
Tel: +91-22-6112 9000 • Fax: +91-22-2652 5731 • URL: www.mclear.in • Email: info@mclear.in • CIN: U67120MH2008PLC188032

All other provisions with respect to settlement and margins shall continue to be applicable.

The provisions of the circular shall come into effect from **January 21, 2019**. Members are requested to take note of the above.

For clarifications, members may contact:

	Phone	Email
Clearing and Settlement	022 – 61129000 (Ext.: 9075 / 9084 / 9074)	settlement@mclear.in
Risk Management	022 – 61129000 (Ext.: 9990 / 9071)	risk@mclear.in

For and on behalf of
Metropolitan Clearing Corporation of India Ltd.

Roanna Lewis
Senior Manager

Metropolitan Clearing Corporation of India Limited

Regd. Office: 4th Floor, Vibgyor Towers, Opp. Trident Hotel, Plot No. C62, Bandra Kurla Complex, Bandra (East), Mumbai - 400 098
Tel: +91-22-6112 9000 • Fax: +91-22-2652 5731 • URL: www.mclear.in • Email: info@mclear.in • CIN: U67120MH2008PLC188032