MCX Circular No. MCX/MCXCCL/301/2020 April 28, 2020
MCXCCL Circular No. MCXCCL/RISK/094/2020

Additional Risk Management measures for Crude Oil Contracts

In terms of provisions of the Rules, Bye-Laws and Regulations of Multi Commodity Exchange Clearing Corporation Limited ("MCXCCL"), Clearing Members are notified as under:

In view of the increased volatility in Crude Oil contracts, MCXCCL has put in place the below risk management measures to cover fluctuations in Crude Oil prices.

A. Initial Margins

An initial margin of 100% shall be levied for all existing and yet to be launched Crude Oil contracts. Minimum Initial margin of Rs. 95,000/- per lot shall be levied.

B. Additional Margins:

An additional margin of Rs.1,00,000/- per lot shall be levied on near month Crude Oil Futures contract and on short side of near month Crude Oil Options contract. Further, an additional margin of Rs.50,000/- per lot shall also be levied on all other Crude Oil Futures contracts and on short side of Crude Oil Options contracts (including yet to be launched Crude Oil contracts).

Based on the price movement, further additional margin over and above the aforesaid margin shall be levied. The criteria for the same is as under:

1. If the price of the crude oil falls between 50% to 75%, (previous close compared to current price of the contract at MCX / NYMEX) then an additional margin of 50% of the MTM would be levied.

2. If the price of the crude oil falls between 75% to 90%, (previous close compared to current price of the contract at MCX / NYMEX) then an additional margin of 100% of the MTM would be levied.

3. If the price of the crude oil falls beyond 90%, (previous close compared to current price of the contract at MCX / NYMEX) then an additional margin of 125% of the MTM would be levied.

Further, MCXCCL reserves the right to increase the additional margins intraday based on the price movement in the market.

Illustration on the levy of additional margins is provided as **Annexure 1** to this circular.

C. Spread Margin benefit:

Spread margin benefit on Initial Margins shall not be provided in Crude Oil contracts.

D. Options VSR:

The Volatility Scan Range (VSR) shall be increased from 5% to 20% for all existing and yet to be launched Crude Oil Options contracts.

E. Extreme loss margin:

Extreme Loss margin of 1.25% shall continue to be levied on all Crude Oil Futures contracts and on short positions of all Options Contracts.

The provisions of this circular shall be applicable from beginning of day on **April 30, 2020.**

Members are requested to take note of the same.

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Risk Management Department

Kindly contact Customer Support on 022- 6649 4000 or send an email at customersupport@mcxindia.com for further clarification.

Annexure 1

Example for near month Crude Oil Futures Contract

A	B	C	D	E	F	G	H	I	J
Previous Close Price	**Current Price**	**Minimum Initial Margin**	**Minimum Additional Margin**	**MTM (Price Movement) [(B-A)*Lot Size]**	**% Price Movement [(B-A)/A]*100**	**Additional Margin Slab %**	**Additional Margin Value [G%* Abs(E)]**	**ELM [B*Lot Size*1.25%]**	**Total Margins [C+D+H+I]**
1300.00	900.00	95000.00	100000.00	-40000.00	-30.77	0.00	0.00	1125.00	196125.00
1300.00	650.00	95000.00	100000.00	-65000.00	-50.00	50.00	32500.00	812.50	228312.50
1300.00	325.00	95000.00	100000.00	-97500.00	-75.00	100.00	97500.00	406.25	292906.25
1300.00	130.00	95000.00	100000.00	-117000.00	-90.00	125.00	146250.00	162.50	341412.50