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**NATIONAL COMMODITY CLEARING LIMITED**

Circular to all Members of the Clearing Corporation

Circular No. : NCCL/RISK-030/2024

Date : June 24, 2024

Subject : Margins for Options on Guar Seed Futures Contracts

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Reference is drawn to NCDEX circular no. NCDEX/TRADING-025/2024 dated June 20, 2024 on Launch of Options on Guar Seed Futures Contracts.

Members are hereby informed that as per the Rules, Byelaws and Regulations of the Clearing Corporation, the following shall be the risk management measures for Options on Guar Seed Futures Contracts.

**1. Initial Margins (IM)**

NCCL shall adopt appropriate initial margin model and parameters that are risk-based and generate margin requirements sufficient to cover potential future exposure to participants/clients.

The initial margin shall be imposed at the level of portfolio of individual client comprising of his positions in futures and options contracts on each commodity.

Margins shall be adequate to cover atleast 99% VaR (Value at Risk) and Margin Period of Risk (MPOR) shall be at least four days.

For buyer of the option, buy premium shall be charged as margins and blocked from the collaterals.

On computation of settlement obligation at the end of day, the premium blocked shall be released and collected as pay-in as per process notified.

NCCL shall fix prudent volatility scan range and short option minimum margin based on the volatility in the price of the underlying commodity.

Sr. No	Underlying Commodity	Volatility Category of Commodity	Volatility Scan Range (VSR)	Short Option Minimum Margin (SOMM)
1	Guar Seed	High	7%	12%

**2. Extreme Loss Margin (ELM)**

NCCL shall levy appropriate extreme loss margin on short option contracts as applicable. The minimum extreme loss margin of 1% on gross open positions shall be levied.

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### 3. Spread Margin Charge

The calendar spread charge shall be calculated on the basis of delta of the portfolio of futures and options. A calendar spread charge of 25% on each leg of the positions shall be charged.

To be eligible for initial margin benefit, each individual contract in the calendar spread shall be from amongst the first six expiring contracts.

For spread position in commodity complex, the maximum benefit in initial margin is 50% on each leg of the position and it shall be from amongst the first three expiring contracts.

In case of spread positions, additional margins shall not be levied. No benefit in Extreme Loss Margin (ELM) would be provided for spread positions i.e. ELM shall be charged on both individual legs.

### 4. Mark to Market (MTM)

NCCL shall mark to market the options positions by deducting/adding the current market value of options (positive for long options and negative for short options) times the number of long/short options in the portfolio from/to the margin requirement. Thus, mark to market gains and losses would not be settled in cash for options positions.

### 5. Pre expiry margin

Pre expiry margin would be levied as 33.33%, 66.66% and 100% of the initial margins of underlying futures contracts starting three days prior to the expiry (including the day of expiry) of the options contracts respectively.

Pre expiry margin will be charged on potential In the money (ITM), Close to money (CTM) and Close to money Extended (CTM- E) long and short option positions. CTM contracts are two strike up / down of ATM and CTM-E contracts are one DPR up / down of ATM.

Further, pre expiry margin shall be charged at end of the day (EOD). For short option positions, actual short option margin charged shall be reduced from total pre expiry margin to be charged.

### 6. Margin Sensitization Report

Sensitization report shall be generated 2 days prior to levy of pre-expiry margin. The report shall contain, pre-expiry margin that may be charged for all days of applicability of pre-expiry margin.

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**Example of pre-expiry margin and sensitization report**

Date	Day	Pre-expiry Margin % of Initial Margin		Pre-expiry Margin % for sensitization report
		Intra Day	EOD	
13-Jun-24	E-4			33%, 66% and 100%
14-Jun-24	E-3			33%, 66% and 100%
18-Jun-24	E-2	no margin	33.33%	66% and 100%
19-Jun-24	E-1	33.33%	66.66%	100%
20-Jun-24	E	66.66%	100%	(No sensitization report)

For example, if the initial margin is 15%, then pre expiry margin would be levied as 5%, 10% and 15% on EOD of June 18-Jun-24, 19-Jun-24 and 20-Jun-24. Margin of 5% and 10% would be levied as pre-expiry margin intraday on 19-Jun-24 and 20-Jun-24.

File format of margin sensitization report is provided as Annexure - I

#### **7. Additional Lean Period Margin**

During lean period (i.e. the period before the arrival of new crop) there is often uncertainty about the arrivals of new crop. This may lead to higher volatility in prices of commodities during this period. Therefore, NCCL shall levy additional lean period margin of 2% on the options contract whose underlying futures contracts will expire during lean period.

#### **8. Other margins**

Other margins like additional margins and special margins shall be applicable as and when they are levied by the Exchange/Clearing Corporation/Regulator.

#### **9. Margining at client level**

NCCL shall impose initial margins at the level of portfolio of individual client comprising of his positions in futures and options contracts on each commodity.

NCCL shall be free to charge margins higher than the minimum specified depending upon its risk perception.

This circular shall be effective from June 27, 2024 (from beginning of the trading day).

Members and participants are requested to note the above.

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For and on behalf of

**National Commodity Clearing Limited**

Abhishek Soni

Chief Risk Officer

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For further information / clarifications, please contact

1. Customer Service Group on toll free number: 1800 266 6007
2. Customer Service Group by e-mail to : [contactus@nccl.co.in](mailto:contactus@nccl.co.in)

## Annexure – I

### 1. Sensitization report for Clearing Member (NCDEX\_TM\_SNS)

- Naming Convention:  
NCDEX\_TM\_SNS\_<PRIME\_MBR\_CODE>\_<DDMMYYYY>.CSV
- This report contains the pre expiry margins which shall be charged to the Trading Member for Options contracts.
- This report will be generated after close of trading hours on each business date.
- The report format for the same is as given below:

Sr. No.	Column Name	Data Type	Description/Remarks
1	TM/CP code	Varchar2(12)	Trading Member/Custodian Participant Code
2	Pre-expiry margin applicable date	Date(12)	Pre-expiry margin date (E-2, E-1 or E)
3	Symbol of option contract	Varchar(30)	Detail of contracts on which pre-expiry margin shall be charged for entity
4	Options Pre expiry Margin	Number(20,2)	Pre expiry margin for Options applicable on each Pre-expiry margin Date

### 2. Sensitization report for Trading Member (NCDEX\_CLI\_SNS)

- Naming Convention: NCDEX\_CLI\_SNS\_<TM\_CODE>\_<DDMMYYYY>.CSV
- This report contains the pre expiry margins which shall be charged to each account type linked to trading member for Options contracts.
- This report will be generated after close of trading hours on each business date
- The report format for the same is as given below:

Sr. No.	Column Name	Data Type	Description/Remarks
1	Client Code	Varchar2(12)	Client Code
2	Pre-expiry margin applicable date	Date(12)	Pre-expiry margin date (E-2, E-1 or E)
3	Symbol of option contract	Varchar(30)	Detail of contracts on which pre-expiry margin shall be charged for entity
4	Options Pre expiry Margin	Number(20,2)	Pre expiry margin for Options applicable on each Pre-expiry margin Date