NCCL
NCDEX Group Company

NATIONAL COMMODITY CLEARING LIMITED

Circular to all Members of the Clearing Corporation

Circular No.	: NCCL/RISK-021/2020
Date	: May 22, 2020
Subject	: Margins for Index Futures Contracts on NCDEX AGRIDEX

This is with reference to NCDEX circular nos. NCDEX/TRADING-018/2019 dated June 21, 2019 on Design of Commodity Indices and Product Design for Futures on Commodity Indices and NCDEX/TRADING-023/2020 dated May 19, 2020 on Launch of NCDEX AGRIDEX Futures contract (AGRIDEXDDMMMYYYY)

Members are hereby informed that as per the Byelaws, Rules and Regulations of the Clearing corporation, in accordance with the approval received from the Securities and Exchange Board of India (SEBI) and further to the above mentioned circulars, the following risk management measures have been adopted by the NCCL for Index futures contracts on NCDEX AGRIDEX:

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 and index futures contract. Margins shall be adequate to cover 99% VaR (Value at Risk) and Margin Period of Risk (MPOR) shall be at least three days.

   The Minimum Initial Margin shall be 6%.

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

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

3. **Spread margin benefit**

   Spread margin benefit will be given for different expiry date contracts of the same instrument.

   Spread Margin benefit at 75 % of initial margin on each leg shall be given for different expiry date contracts of the same instrument.

   Margin benefit on spread positions shall be withdrawn equally in three days prior to the expiry of contract including the expiry date.

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

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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. Other margins

Other margins like additional margins and special margins shall be applicable as and when they are levied by NCCL/Exchange.

5. 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 and Index Futures contracts. No portfolio margin benefit will be provided to the index future contracts.

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

Members and participants are requested to note the above.

For and on behalf of
National Commodity Clearing Limited

Ruchit Chaturvedi
Head - Risk Management

For further information / clarifications, please contact
1. Customer Service Group on toll free number: 1800 266 6007
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