NCCL
NCDEX Group Company

NATIONAL COMMODITY CLEARING LIMITED

Circular to all Members of the Clearing Corporation
Circular No. : NCCL/RISK-002/2021
Date : January 13, 2021
Subject : Margins on Steel Long Futures contracts (STEEL)

This is with reference to NCDEX circular no. NCDEX/TRADING-002/2021 dated January 12, 2021 on Re-Launch of Futures contracts – Steel Long (STEEL), SEBI Circular no. SEBI/HO/CDMRD/DNPMP/CIR/P/2020/118 dated July 10, 2020 - Master Circular on Commodity Derivatives Market and NCCL Circular no. NCCL/RISK-001/2018 dated September 26, 2018 on Risk Management Framework.

Members are hereby informed that as per the Byelaws, Rules and Regulations of the National Commodity Clearing Limited (NCCL) and 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 Steel Long futures contracts (STEEL)

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 in the interval between the last margin collection and closeout of positions. The initial margin shall be imposed at the level of portfolio of individual client comprising of his positions in futures contracts, Options in Goods contracts on each commodity and Index future contracts.

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

The Minimum Initial Margin shall be 8%.

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 underlying.

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

Margin benefit on spread positions shall be withdrawn equally in three days prior to the start of the tender period including start of tender period.

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. Pre expiry margin

Pre expiry margin shall be levied on long and short positions at 2.50% incrementally per trading day for 7 trading days prior to the expiry of the contract, including expiry day.

5. Delivery Margin

Delivery margin shall be levied on the long and short positions marked for delivery till the pay in is completed by the member. The Delivery Margin shall be higher of 3% + 5 day 99% VaR of spot price volatility or 20%.

6. Concentration Margin

The Clearing Corporation shall levy Concentration Margin, when the overall market wide Open Interest (OI) of a commodity exceeds the specified Threshold Limit of Open Interest (OI) for that commodity.

Members can refer to NCCL Circular no. NCCL/RISK-008/2019 dated June 12,2019 on Concentration Margin - Revision in Concentration Margin and Threshold level. Concentration margin at client level shall be based on percentages applicable for broad commodities.

The Threshold limit of Open Interest is 62,000 MT

7. **Other margins**

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

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

Members and participants are requested to note the above.

For and on behalf of
National Commodity Clearing Limited

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For further information / clarifications, please contact
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