

NSE Clearing Limited

(Formerly known as National Securities Clearing Corporation Limited)

Department : FUTURES AND OPTIONS

Download Ref No: NCL/CMPT/40776

Date : April 16, 2019

Circular Ref. No: 055/2019

All Members/Custodians/PCM

Sub: Additional Risk Management measures for long dated option contracts

This is in continuation and partial modification to Item 10 Part B of our consolidated circular no. 001/2019 (Download Ref No: NCL/CMPT/39833) dated January 01, 2019.

Following revisions shall be made in margins for long dated option contracts:

Price Scan Range:

The Price Scan Range for long dated options shall be taken as higher of three standard deviations (3 sigma) as calculated for VaR purpose for the underlying index in the relevant underlying segment of the Exchange or 12.50% of the underlying value or such other price scan range as may be specified by the Clearing Corporation from time to time. The price scan range shall be scaled up by the MPOR (2 days). The short option minimum charge shall remain unchanged at 5% for index options.

Exposure Margins

The exposure margin shall be 5% of the notional value of the short open positions in long dated option contracts on index, based on the last available closing price of the underlying index in the normal market of Capital Market segment of the Exchange.

For the above purpose all option contracts with expiry more than 9 months shall be treated as long dated option contracts

The above changes shall be effective from **June 03, 2019**

Members are requested to take note of the above

For and on behalf of

NSE Clearing Limited
(Formerly National Securities Clearing Corporation Limited)

Huzefa Mahuvawala

Vice President

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