

## Commodity Derivatives Segment

May 02, 2019

**Circular No.: MCCIL/COM/1299/2019**

### **Subject: Concentration Margin**

In terms of the provisions of the Bye-laws, Rules and Regulations of the Metropolitan Clearing Corporation of India Limited (MCCIL); in continuation to MCCIL circular no. MCCIL/COM/1119/2018 dated September 28, 2018 and pursuant to ICEX circular no. ICEX/RISK/2018/145 dated May 04, 2018; the Members are hereby notified about Inclusion of Concentration Margin for Client Margin Reporting, Availability of Concentration margin file in Member SFTP folder and Computation methodology for Concentration Margin.

### **Inclusion of Concentration Margin for Client Margin Reporting**

Members shall be required to report collection of Concentration Margin from their clients for the purpose of Client Margin Reporting. For this purpose, Client level concentration margin amount shall be grouped with the other margin requirements of the respective client in the files exported to Members for reporting client margin collection.

Accordingly, Members shall be required to collect the other margin from its clients after taking into consideration Concentration margin requirements.

### **Availability of Concentration Margin file in Member SFTP folder**

In case of imposition of Concentration margin due to concentrated positions at Member / Client level, a file "MemberID\_Concentration\_Margin\_DDMMYYYY.csv" / "MemberID\_Concentration\_Margin\_CLI\_DDMMYYYY.csv" respectively will be available in Member SFTP folder, providing the extent of concentration margin to be blocked for the next trading day.

The file "MemberID\_Concentration\_Margin\_DDMMYYYY.csv" will be having details of Date, CM, TM and the Concentration margin amount.

The file "MemberID\_Concentration\_Margin\_CLI\_DDMMYYYY.csv" will be having details of Date, CM, TM, Client Code and the Concentration margin amount.

### **Computation methodology for Concentration Margin**

Concentration margin shall be applicable for the concentrated positions at Client level and/or at Trading Member level for a particular commodity.

Concentration margin shall be computed as mentioned blow:

- In case of concentrated positions at Client/Trading Member level, proportionate ratio shall be calculated based on the outstanding positions for a Client/Trading Member level across the contracts of a Commodity.

- Based on this ratio, concentrated positions for the applicable slab(s) shall be derived across the contracts of a commodity.
- The concentration margin shall be computed by taking into consideration of the concentration margin% for the applicable slab(s), respective contract's closing price to the extent the concentrated positions prevailing in that contract of a commodity and the multiplier of the commodity.
- The concentration margin derived across the contracts of a commodity for the applicable slab(s) shall be grossed up at Client/Member level. This margin shall be applied as a concentration margin for the Client/Member having concentrated positions. This amount shall be blocked from the liquid assets of the Clearing Member.

An illustration for concentration margin computation is provided in Annexure- I.

All other provisions related to Concentration Margin and Client Margin Reporting shall remain unchanged.

The provisions of this circular shall be applicable with immediate effect.

Kindly contact Risk department on 022-40381549/52 or send an E-mail at risk\_com@mclear.in for any assistance.

For and on behalf of  
**Metropolitan Clearing Corporation of India Ltd.**

**Authorized Signatory**

**Illustration of Concentration Margin Computation**

e.g. For Commodity DIAMOND, client level position limit is 60,000 lots.

Open Interest (OI) as % of permissible OI limit at Client / Member level	Client level position limit slabs (in lots)	Concentration Margin %
up to 80%	up to 48000	NIL
80%-85%	48001-51000	1%
85%-90%	51001-54000	3%
90%-95%	54001-57000	5%
95%-100%	57001-60000	7%

A client ABC is having long positions of 55,500 lots across the contracts of DIAMOND.

Contract	Position of a client for the side having concentrated positions (e.g. Long) in lots	Ratio of positions for the contract	Closing Price (Rs)
DIAMOND0.5CT May	500	0.009 (i.e. 500/55,500)	1701.85
DIAMOND1CT May	54,000	0.973	3595.35
DIAMOND1CT Jun	1000	0.018	3594.70
	<b>55500</b>		
<b>Concentrated positions (55,500-48,000)</b>	<b>7500</b>		

Concentration margin shall be calculated after deriving out the concentration positions in each slab for each contract. Position value is calculated for these lots considering the respective contract's closing price. Applicable margin% is applied for that slab concentrated position value.

	DIAMOND0.5CT May		DIAMOND1CT May		DIAMOND1CT Jun		Total across all contracts	
Concentration Margin %	No. of Lots as per the ratio	Position Value (in Lakh)	No. of Lots as per the ratio	Position Value (in Lakh)	No. of Lots as per the ratio	Position Value (in Lakh)	Concentrated Position Value (in Lakh)	Concentration Margin (in Lakh)
Slab 1 @ 1% (3000 lots)	27	0.46	2919	104.95	54	1.94	107.35	1.07
Slab 2 @ 3% (3000 lots)	27	0.46	2919	104.95	54	1.94	107.35	3.22
Slab 3 @ 5% (1500 lots)	14	0.23	1459	52.47	27	0.97	53.67	2.68
<b>Total</b>								<b>6.98</b>