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**NATIONAL SECURITIES CLEARING CORPORATION LIMITED
CURRENCY DERIVATIVES SEGMENT**

Circular No. NSCCL/CDS/C&S/093

August 28, 2009

Interest Rate Futures – Clearing & Settlement

In pursuance to SEBI circular no. SEBI/DNPD/Cir- 46 /2009 dated August 28, 2009 and in partial modification to our circular no NSCCL/CDS/C&S/092 dated August 25, 2009; members are requested to note the following revisions.

The members are hereby informed that Point 2.1 and Point 4.1 of the abovementioned circular have been revised as under:

2.1 Daily Settlement Price for settlement of futures contracts

The daily settlement price of futures contract shall be as per the detailed methodology of computation specified in **Annexure 1**

4.1 Deliverable Grade Securities

The deliverable grade of securities shall be the list of securities as specified by the Clearing Corporation from time to time.

NSE has constituted a group of market participants to advise the Exchange/Clearing Corporation on the securities which may be included in the deliverable basket. Based on the recommendations of this group, it has been decided that the securities which fulfill below mentioned criteria shall be eligible deliverable grade securities

- GoI securities maturing at least 8 years but not more than 12 years from the first day of the delivery month with
- Minimum total outstanding stock of Rs 10,000 crore.

Further any new security which meets the eligibility criteria as mentioned above shall be added to the list of deliverable grade securities. However, additions, if any, shall be made not later than 10 business days before the first business day of the delivery month.

To start with the deliverable grade securities alongwith respective conversion factors of the futures contract available for trading has been specified in **Annexure 2**

For any further clarifications members may contact the following officials of the Clearing Corporation: Mr. Samir Rajdev, Ms. Sayali Gokhale and Mr. Pradip Naiknavare
Phone Nos. 26598370/10

Yours faithfully,
For National Securities Clearing Corporation Ltd.

Pareezad Deboo
Manager

Annexure 1
Computation of Daily Settlement Price for IRF contracts

The daily settlement price (DSP) would be determined in the following manner:

Step 1: The DSP is the volume weighted average price (VWAP) of the trades in the last 30 minute of trading, provided there are at least 5 trades for a minimum aggregate notional value of Rs. 10 crore. Failing which, trades during the last 60 minutes shall be used for the calculation of VWAP, subject to at least 5 trades for Rs.10 crore. Failing which trades during the last 120 minutes shall be used for the calculation of VWAP, subject to at least 5 trades for Rs.10 crore.

Step 2: If the DSP cannot be calculated as mentioned in step 1, a theoretical price would be used. This theoretical price shall be the minimum of the theoretical futures prices of all the securities in the delivery basket of the respective futures contract. Theoretical futures price of each of the securities in the deliverable basket of the contract shall be calculated as per the below formula.

Theoretical Future price of each security = $\frac{\text{Forward price}}{\text{Conversion factor}}$

Forward Price = Cash price + Financing cost – Income on cash position

1. Cash price of the security shall be the weighted average cash price of outright trades of that security during the day on the NDS Order Matching platform, subject to at least 5 trades for face value Rs.10 crore.
2. If there are not enough trades as required above or there is a material market event during the trading hours, the cash price of each security shall be the FIMMDA / PDAI / Bloomberg revaluation price(s)
3. Financing cost for this purpose shall be 91-day Treasury bill rate.

If, however, the near quarter contract is liquid (5 trades for Rs. 10 crores during the last 30 minutes, 60 minutes or 120 minutes, as the case may be), the VWAP of the near quarter contract shall be adjusted for cost of carry to arrive at the theoretical price for subsequent quarterly contracts. Further, if near quarter (say March) contract is illiquid then June contract (liquid contract) then the VWAP of the nearest liquid quarter contract shall be used to derive the settlement prices of the illiquid previous as well as the subsequent quarter contracts. The cost of carry for the above purpose shall be 91-day Treasury bill rate.

Annexure 2
List of Deliverable Basket and Conversion factor

1. Deliverable basket and conversion factor for December 2009 contract

Sr No	ISIN	Nomenclature	Date of maturity	Conversion Factor
1	IN0020020163	6.25% 2018 (conv)	2-Jan-2018	0.9546
2	IN0020080019	8.24% 2018	22-Apr-2018	1.0765
3	IN0020030063	5.69 % 2018(Conv)	25-Sep-2018	0.9152
4	IN0019980286	12.60 % 2018	23-Nov-2018	1.3616
5	IN0020030097	5.64 % 2019	2-Jan-2019	0.9103
6	IN0020080068	6.05% GS 2019 (FEB)	2-Feb-2019	0.9373
7	IN0020030048	6.05% 2019 (con)	12-Jun-2019	0.9349
8	IN0020090042	6.90% 2019	13-Jul-2019	0.9931
9	IN0020020171	6.35% 2020 (con)	2-Jan-2020	0.9538
10	IN0020060318	7.94%2021	24-May-2021	1.0722
11	IN0020010040	10.25% 2021	30-May-2021	1.2500

2. Deliverable basket and conversion factor for March 2010 contract

Sr No	ISIN	Nomenclature	Date of maturity	Conversion Factor
1	IN0020080019	8.24% 2018	22-Apr-2018	1.0750
2	IN0020030063	5.69 % 2018(Conv)	25-Sep-2018	0.9171
3	IN0019980286	12.60 % 2018	23-Nov-2018	1.3542
4	IN0020030097	5.64 % 2019	2-Jan-2019	0.9120
5	IN0020080068	6.05% GS 2019 (FEB)	2-Feb-2019	0.9385
6	IN0020030048	6.05% 2019 (con)	12-Jun-2019	0.9360
7	IN0020090042	6.90% 2019	13-Jul-2019	0.9931
8	IN0020020171	6.35% 2020 (con)	2-Jan-2020	0.9545

9	IN0020060318	7.94%2021	24-May-2021	1.0713
10	IN0020010040	10.25% 2021	30-May-2021	1.2465
11	IN0020060037	8.20 % 2022	15-Feb-2022	1.0949