

FAQ – Concentration Margin

1. What is Concentration Margin?

Concentration Margin is a margin chargeable to specific Client and Clearing Member(s) whose positions are relatively large in a given commodity, leading to a concentration of OI in that commodity for that Client and Member as a percentage of the overall market-wide OI. The concentration margin is charged under section 12, Additional Ad-hoc Margins, of the SEBI circular CIR/CDMRD/DRMP/01/2015 dated October 01, 2015 on Comprehensive Risk Management Framework for National Commodity Derivatives Exchanges.

2. Why should there be Concentration Margin?

Concentration Margins are intended to mitigate risks arising due to concentration of a Client Open Interest (OI) and Clearing Member's Open Interest (OI) in relation to the Market wide OI in a particular commodity.

The concentration margin is based on pre-specified levels of OI for client / member (i. e. the Slabs), applicable to all clients and members alike that reach the Slabs, and therefore does not discriminate between clients/members who become eligible for its imposition.

Concentration Margin is applicable only to those specified commodities that exceed the Threshold Limits given in the circular.

3. Who will be charged Concentration Margin?

Client Level: It will be charged on the Clients once Clients' share of Open Interest to the Market wide Open Interest in a Commodity exceeds the given Slabs.

Clearing Member Level: It will be charged on Clearing Member's share of Open Interest to the Market wide Open Interest in a Commodity that exceeds the given slabs.

4. How will the Concentration Margin be collected and in what forms?

Concentration margins will be blocked from member's liquid assets, as is done in case of other margins.

5. When will the Concentration Margin Charged?

The imposition of concentration margin would be as follows:

1) Member level :

Clearing Member OI as % of Market-wide OI in the commodity (Slab)	Concentration Margin
up to 10%	NIL
10% - 15%	2.50%
15% - 25%	5.00%
25% - 35%	7.50%
35% and above	10.00%

2) Client Level :

Client OI as % of Market-wide OI in the commodity (Slab)	Concentration Margin
up to 3%	NIL
3% - 5%	1.50%
5% - 10%	2.50%
10% - 15%	3.50%
15% and above	5.00%

6. How is Concentration margin calculated on member levels?

Suppose, member ABC has open position of 24,000MT of Guar Seed. Market Wide open interest of guar is 1,00,000 MT.

Member's position Limit in Guar Seed is 24,000 MT (Numerical Limit) OR 15 % of Market Wide Open Interest (Whichever is higher)

Applicable Concentration Margin = (Member OI (slab wise) X Applicable Concentration Margin % X Closing Price)

Member OI (In MT)	Member OI as % of Market-wide OI in the commodity (Slabs)	Applicable Concentration Margin %	@Closing Price	Value (In Lakhs)	IM %	IM (In Lakh)	Concentration Margin (In Lakh)
*10000	up to 10%	0	3100	3100	5.00	155.00	0.00
5000	10% - 15%	2.50	3100	1550	5.00	77.50	38.75
9000	15% - 25%	5.00	3100	2790	5.00	139.50	139.50
24000						372	178.25

	In Lakh
Total Applicable Margin	550.25
Initial Margin	372.00
Concentration Margin	178.25

* Up to 10% of Member OI = 10% of 1,00,000 MT of Guar Seed = 10,000 MT

@The highest of the closing price of all contracts of respective commodity

7. How is Concentration margin calculated on client levels?

Suppose, a client ABC has open position of 2,300 MT of Guar Seed. Market Wide open interest of guar is 50,000 MT.

Client's position Limit in Guar Seed- 2,400 MT (Numerical Limit)

Applicable Concentration Margin = (Client's OI (slab wise) X Applicable Concentration Margin % X Closing Price)

Client's OI *(In MT)	Client's OI as % of Market-wide OI in the commodity	Applicable Concentration Margin %	Closing Price	Value (In Lakhs)	IM %	IM (In Lakhs)	Concentration Margin(In Lakhs)
1500	0% -3%	0	3100	465	5	23.25	0
800	3% - 5%	1.5	3100	248	5	12.4	3.72
2300						35.65	3.72

	In (Lakhs)
Total Applicable Margin	39.37
Initial Margin	35.65
Concentration Margin	3.72

* Up to 3% of Client's OI = 3% of 50,000 MT of Guar Seed = 1,500 MT

8. Whether concentration margin is levied at TM level?

No. Concentration margin will be levied at clearing member and client level.

9. Whether concentration margin is charged at commodity level or contract level

Concentration margin will be charged at commodity level

10. Whether OI of Hedgers be considered for levying Concentration Margin?

Yes. Open Interest of hedgers will also be considered for levying concentration margin

11. Will concentration margin form part of margin reporting?

Concentration margin levied at client level will form part of margin reporting process.

12. What will be the form of Collaterals for Concentration Margin?

Acceptable collaterals as specified by the Exchange.

14. Which files should be referred for concentration margin levied?

Members should refer to the following files for concentration margin levied

MG11, MG12 and MG 13– Concentration margin will be part of MTM Value.

MG22 and MG23 – It will be shown under Concentration margin column