



Notice No: RISK-2014-035

Issue Date: October 14, 2014

Subject: Introduction of Inter-Commodity Spread Credits

Notice to all Members,

Subject: Introduction of Inter-Commodity Spread Credits

In pursuance of DCCC Clearing Rules, it is hereby notified that Inter-Commodity Spread Credit (ICSC) shall be introduced by DCCC to provide Margin offset on related products in any portfolio.

ICSC is the amount of margin reductions on a portfolio of products which are significantly correlated to each other based on underlying fundamental and/or economic factors.

The ICSC that shall be allowed is defined in Annexure-1.

DCCC shall henceforth provide Initial Margins as well as ICSC matrix information on FTP Server at <ftp://eosftp.dgcx.ae/Common/Margins> with file naming convention as **RISK-PARAM-<YYYYMMDD>**

Members may note that, only the current Risk Parameters file shall be available at any given time.

When the Margin Parameters are updated and a new file is placed on the FTP server, the old file that has been superseded shall be available to view in the Margin History folder at <ftp://eosftp.dgcx.ae/Common/Margins/MarginHistory>

The Initial Margin and ICSC matrix file shall also be available on DCCC and DGCX websites at:
www.dccc.co.ae/index.php/en/clearing/initial-margins
www.dgcx.ae/index.php/en/clearing/initial-margins

The above revisions shall be effective from **Monday, October 20, 2014**.

Members are requested to take note of the revisions.

For Dubai Commodities Clearing Corporation

Nirav Barfiwala
Head-Risk Management



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ANNEXURE-1: INTER-COMMODITY SPREAD CREDIT TABLE

Effective Date	Priority	Credit Rate	Leg A's Delta	Leg A's Symbol	Leg B's Delta	Leg B's Symbol
20-Oct-14	1	70%	1	DMSI	1	DMSU
20-Oct-14	2	75%	1	DMSI	1	DBSX
20-Oct-14	3	75%	1	DMSU	1	DBSX
20-Oct-14	4	50%	1	DINR	1	DBSX
20-Oct-14	5	55%	1	DG	2	DS

Leg Type 1 in the SPAN file will always be A. If the type of inter-commodity spread is Long-Short, the Leg Type 2 will be B. If the type is Long-Long, the Leg Type 2 will be A.

For instance, Inter-commodity spread credit, **Gold: Silver, Delta 1:2, 55%** implies the following:

- Initial Margin for Gold is \$1500, Initial Margin for Silver is \$1,100;
- Assumed Net Position: Long Gold (+1) and Short Silver(-2);
- Total Margin charged before Inter-commodity spread credit: $(1500*1) + (1100*2) = \text{\$3700};$
- Inter-commodity spread credit $=\$3700*55\% =\$2035;$ and
- Total Margin charged after Inter-commodity spread credit: **\\$1665** $(\$3700-\$2035).$