

FBIL FC-RUPEE OPTIONS VOLATILITY MATRIX RATES

Methodology Document

5th May, 2016

Version 1

FBIL FC-RUPEE OPTIONS VOLATILITY MATRIX RATES will be computed on daily basis as per the following methodology

Computation Methodology

1. FBIL Authorized Submitters will be having access to Submit the Rates for various Tenors (1 Week, 1 Month, 3 Months, 6 Months, 12 Months) using a suitable Module in the FX-CLEAR trading system.
2. FX-CLEAR trading system will receive the BID and ASK rates, 25D_RR and 25D_STR from approved Submitters between 5.00 PM to 5.30 PM using the specific Module inside the System.
3. The Submitters would submit the rates in two decimal places.
4. A minimum of 8 banks are required to participate in the polling process. In case the threshold of 8 quotes for each tenor is not met, then CCIL will not disseminate the Rate for that tenor for the day. The Previous Day's Rate for that Tenor will be displayed with due notification. The same may be repeated maximum for 2 consecutive working days in case the threshold is not met. After that, if the threshold is not met on the third day, CCIL will not calculate/compute any rate for that tenor with due notification and the Banks will follow their own fallback mechanism.
5. After receiving the rates, the Mean Rate and Standard Deviation will be computed for each category of rates for all tenors. The said calculated numbers will be rounded off to two decimal places at each stage.
6. A Rate Range will be computed using Mean Rate +/- (3*Standard Deviation) for each category of Rate.
7. Any polled Rate outside the said Range (i.e. Rate higher than Max or lower than Min in their respective categories) will be dropped from Final Rate Calculation.

8. After removal of Outliers, the Mean Rate and Standard Deviation will be computed for each category of Rates (viz. 1 Week, 1 Month, 3 Months, 6 Months, 12 Months).
9. The calculated Bid/Ask FC-Options Volatility rates and the 25D RR and 25D STR for all tenors will be rounded off to two decimal places.
10. The FBIL FC-RUPEE OPTIONS volatility matrix rates will be disseminated to the Market through FBIL / FIMMDA / CCIL website by 6:00 PM.
