



Circular

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Earlier Release of SPAN Risk Margin on Settlement Day for Nikkei Equity Index Derivatives

As part of SGX's continuing efforts to improve margin efficiencies for market participants, please be informed that from **Friday, 8 September 2017**, risk margins of the following expiring Nikkei Equity Index Derivatives (Nikkei) contracts will be released earlier on settlement day:

Product Name	Ticker Symbol
SGX Nikkei 225 Index Futures	NK
SGX Nikkei 225 Index Options	Calls – CNK; Puts – PNK
SGX Mini Nikkei 225 Index Futures	NS
SGX USD Nikkei 225 Index Futures	NU

SPAN risk margins will be set to zero for expiring Nikkei contracts (beginning with the September 2017 expiration contracts) from the first intra-day cycle on settlement day, i.e. 12.00pm (Singapore Time).

Currently, risk margins are calculated as non-zero for expiring Nikkei contracts on settlement day at both the 12.00pm and 4.30pm (Singapore Time) intra-day cycles. Risk margins are released and set to zero only at the End-of-day cycle (EOD) at 3.00am (i.e. Saturday morning Singapore Time), when final settlement amounts are settled and collateralisation is no longer necessary.

Summary of changes with the early release of risk margins:

- On the 12.00pm (Singapore Time) intra-day cycle on settlement day, an Indicative Final Settlement Price (IFSP) will be used to calculate mark-to-market gains/losses for futures and net option value for options
- On the 4.30pm (Singapore Time) intra-day cycle on settlement day, the official Final Settlement Price (FSP) will be used to calculate mark-to-market gains/losses for futures and net option value for options
- From the 12.00pm (Singapore Time) intra-day cycle, SPAN risk margins for the expiring Nikkei contracts will be set to zero:
 - Naked outright positions will attract zero SPAN risk margin
 - Intra/Inter-commodity spreads cannot be formed with positions in expiring Nikkei contracts

- iii. Short positions in Nikkei options will attract a nominal amount of short-option minimum charge
- Required margins for positions in expiring Nikkei contracts will therefore only consist of collateralised (1) net mark-to-market gains/losses from futures, (2) net option value and (3) short-option minimum. There will be no SPAN risk margin component.

Changes to SPAN Risk Parameter Files

SPAN risk parameter files (Intra-day, Preliminary and EOD files) on settlement day will reflect a zero-value for all 16-risk array values, for expiring Nikkei contract series.

If you have any questions, please contact Mr Chia I_Ming (Tel: 6236 8496) or Ms Elaine Tang (Tel: 6236 8142) of Risk Management, or email to margins@sgx.com.

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