

# THE CLEARING CORPORATION OF INDIA LIMITED

## ***SECURITIES SEGMENT***

**This has been superseded by Notification No. CCIL/  
RMD/04/11 dated 09-Jun-2004 on Changes to the Securities  
Settlement Regulations**

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## **CHAPTER I : INTRODUCTION**

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These Regulations shall be known as The Clearing Corporation of India Limited (Securities Segment) Regulations, 2001.

### **APPLICABILITY**

These Regulations shall be applicable to all Members admitted to the Securities Segment of The Clearing Corporation of India Limited.

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## **CHAPTER II : MEMBERSHIP**

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### **A) APPLICATION FOR MEMBERSHIP**

1. Every entity desirous of seeking Membership shall submit an application in the prescribed format to Clearing Corporation complete in all respects together with all requisite enclosures as required to be submitted in terms of the Application Form;
2. The application shall clearly specify that the applicant desires to seek Membership to the Securities Segment of Clearing Corporation;
3. The application form shall be submitted along with the fees prescribed for Membership into the Securities Segment.

### **B) PROCESSING OF APPLICATIONS**

1. Every such application received in terms of Regulation (A) above shall be submitted to the Membership Approvals Committee (MAC) for consideration;
2. Clarifications and/or additional information sought by MAC shall be conveyed to the concerned applicant. Such applications shall be processed further only upon receipt of complete particulars called for by MAC;
3. Mere submission of completed application forms and/or additional information sought by MAC does not by itself constitute any privilege for any applicant to claim grant of Membership to Clearing Corporation;
4. Upon receipt of approval of MAC, Clearing Corporation shall communicate such approval to the applicant with a request to complete the other formalities outlined in these Regulations;

Every applicant upon receipt of approval for Membership shall execute a Power of Attorney in such form and manner as may be prescribed by Clearing Corporation. Such execution shall be carried out by duly authorised signatory(ies) after having obtained the necessary internal approvals for the purpose.

**C) MEMBER ID**

1. Every applicant admitted as a Member of Clearing Corporation shall be allotted a Member ID which shall be unique to the Member;
2. Every Member shall incorporate the Member ID in all Trades reported to Corporation for Clearing and Settlement;
3. Every Member shall incorporate the Member ID in all its communications to Clearing Corporation;
4. Non-incorporation of Member ID by a Member in any Trade or communication by a Member shall absolve Clearing Corporation of all liabilities or consequences of inaction by Clearing Corporation;
5. Every Member shall ensure that incorporation and/or use of its Membership ID is restricted to authorised personnel only;
6. Clearing Corporation and/or any of its officials shall not in any way be responsible for any loss or consequences that may arise on account of unauthorized and/or wrongful use of Member ID.

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## CHAPTER III : SETTLEMENT GUARANTEE FUND

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### A) PURPOSE

1. Clearing Corporation shall maintain a dedicated Settlement Guarantee Fund (hereinafter referred to as "SGF") in respect of the Securities Segment with a view to meeting any risk arising out of any default by its Members in discharging the obligation of an individual member either for itself or for any other member;
2. SGF shall be utilised for such purposes as may be provided for in Bye-Laws, Rules and Regulations including those that deal with the meeting of default obligations/shortfalls/deficiencies and/or any other dues arising out of normal Clearing and Settlement operations undertaken by Clearing Corporation as part of its normal day-to-day operations;

### B) COMPOSITION

1. SGF shall be formed with contributions from Members in the form of cash and eligible Government Securities;
2. Every Member shall contribute to SGF at least ten percent of its total amount of margin requirement at any point of time in the form of cash and the balance shall be contributed in the form of eligible Government Securities. The proportion of the cash to securities to be maintained by the Member may be changed at the sole discretion of Clearing Corporation from time to time;  
Provided that Clearing Corporation may permit members to deposit their entire contributions to SGF in the form of cash;
3. Clearing Corporation shall specify the list of eligible securities which shall qualify for contribution to SGF. The list of securities eligible for such contribution shall be notified by Clearing Corporation from time to time. Securities declared as ineligible for SGF contribution shall not be reckoned as Margin contribution of such Member from relative effective date of such ineligibility;  
Provided that Clearing Corporation may at its absolute discretion specify the maximum amount of a single security or group of securities that a Member may deposit by way of contribution to SGF;

4. A Member shall upon admission be required to contribute to SGF before Clearing Corporation accepts Trades from the Member and/or on its behalf for Clearing and Settlement;
5. A Member's contribution to SGF shall cover its margin obligations towards Initial Margin, Mark to Market Margin and/or any other margin that may be prescribed in Chapter VII relating to "Risk Management" in these Regulations;
6. A Member shall at all times ensure that its contributions to SGF are adequate to cover Risk Exposures on the outstanding Trades accepted by Clearing Corporation on behalf of the Member as specified in Chapter VII relating to "Risk Management" in these Regulations.

**C) INTEREST ON CONTRIBUTIONS TO SGF**

1. Members shall be entitled to receive interest on Government Securities contributed to SGF as per coupon payable on the respective securities;
2. Members shall not be entitled to any interest on cash amounts contributed to SGF;

Provided that in the event of members choosing to make their entire contribution to SGF in the form of cash, Clearing Corporation may seek to compensate such members by offering them interest payments at quarterly rests (at the end of every calendar quarter) on 90% of their average cash balances during the relative period at a rate not exceeding 100 basis points lower than the weighted average 91 days Treasury Bills cut-off yields at the last three auctions held before the relevant interest payment date. The benchmark instrument to which such cash compensation would be pegged as well as spread between the yield on the benchmark instrument and the interest rate paid by Clearing Corporation may be changed at the sole discretion of Clearing Corporation from time to time.

**D) ADMINISTRATION**

1. Clearing Corporation shall have absolute discretion/control over the administration, manner and mode of investment / utilization of cash margins deposited by Members;
2. The contributions made by Members to SGF in the form of securities shall be held in a single dedicated Constituent SGL Account of Clearing Corporation with RBI. The RBI Rules and Regulations governing Constituent SGL Accounts and

- such other instructions as are issued by RBI in this regard shall be applicable to this account and all contributions by Members to SGF in the form of securities shall accordingly be governed by the said RBI Rules and Regulations and instructions;
3. Clearing Corporation shall have the absolute right to utilize any of the securities contributed to SGF by any Member and held in the Constituent SGL Account referred to in sub-Regulation(2) above to meet shortfalls and/or deficiencies in the Clearing and Settlement process arising either out of a default by the Member or any other Member in such sequence of application as may be determined at the sole discretion of Clearing Corporation to be appropriate;
  4. Clearing Corporation shall also be authorised to pledge, hypothecate, create any charge and/or encumbrance over securities deposited in SGF for availing of a line of credit/repo facilities from RBI, Banks, Institutions and/or other market participants including non-Members, for the purpose of Clearing and Settlement of the transactions reported to it;
  5. In the event of the utilisation of funds/securities contributed by a Member to SGF for the purpose of meeting the default of another Member, the Member who has committed the default shall be obliged to replenish the said security within one business day following the said utilisation within the cut-off time prescribed for the purpose. Provided that if the relative security enters a "shut period" during the interim period, replenishment shall be effected at the expiry of shut period. Such utilisation shall not have any bearing on the exposure limits enjoyed by the original holder of the relative security;
  6. The original holder of security referred to in sub-Regulation (5) above shall be entitled to receive compensation for the period of utilisation of the security at the rate equivalent to the coupon receivable on the said security. Provided that if the security enters "shut period" during the default period, the original holder shall be entitled to receive coupon as if the security was still in its possession;
  7. In the event of Clearing Corporation not being in a position to replenish the security to the original holder of the security at the end of two business days following the relative utilisation, the original holder of the security shall be entitled to receive cash compensation on the third business day at the prevailing market rate subject to such refund being permissible in relation to the Member's

- utilisation of its own Risk Exposure Limit failing which this amount shall be treated as additional Cash contribution to SGF;
8. In the event of Clearing Corporation resorting to payment of cash compensation in terms of sub-Regulation (7) above, such payment shall simultaneously result in an appropriate reduction in defaulting Member's SGF contribution. The Member shall be required to provide appropriate replenishment towards its contribution to SGF by depositing eligible securities. The normal notice period of three business days shall not be applicable in such cases;
  9. Clearing Corporation shall have a paramount lien on contributions made by any of its Members to SGF towards any amount due from such Members towards recovery of losses, charges, penalties or any other amount due to Clearing Corporation.

**E) WITHDRAWAL FROM SGF**

1. Members shall be entitled to withdraw their contributions to SGF in excess of their obligations to cover their margin requirements and/or any other amount payable to Clearing Corporation, by giving prior advance notice as notified by Clearing Corporation from time to time in the format prescribed for this purpose;
2. Members shall ensure at the time of lodging such requests for withdrawal of excess contributions to SGF either in the form of cash and/or securities, that the cash component of their contributions to SGF does not fall below the prescribed ratio after such withdrawal is effected.

**F) RECEIPTS AND DELIVERIES OF SECURITIES**

1. Members shall contribute securities to SGF in multiples of market lots (i.e., in multiples of Rupees One Crore face value) in relation to their respective Margin obligations;
2. Members shall arrange to directly deposit their contributions of eligible securities to SGF as per the SGF Work Flow Process notified by Clearing Corporation from time to time;
3. Members shall ensure that all relevant details as required by RBI to carry out such transactions in the relative SGL Accounts are furnished. Clearing Corporation shall not in any manner be responsible for any consequences that



- may arise on account of non-receipt of deposits from Members towards their contributions to SGF;
4. Members shall be entitled to receive credit for deposits of securities into SGF upon receipt of confirmation from RBI that the securities have been credited into the SGL account of Clearing Corporation. Such credit shall be reckoned for purpose of Margin computation in respect of a Member at the end of the business day when such credit intimation is received from RBI;
  5. Members shall be entitled to withdraw securities from their contributions to SGF by giving advance notice as prescribed by Clearing Corporation from time to time in the format prescribed for the purpose. Provided that if such notice for withdrawal is received in respect of a security at a time when it would be falling into shut period and rendering such delivery impossible, then such notice shall be considered to be invalid;
  6. Withdrawal of securities by Members shall result in a corresponding reduction in their SGF balances as and when instructions to transfer such securities to the Members are issued to RBI by Clearing Corporation;
  7. Members shall be entitled to substitute securities deposited as contribution to SGF by giving advance notice as prescribed by Clearing Corporation from time to time the format prescribed for the purpose. Provided that if such notice for substitution is received in respect of such securities as are falling into shut period and rendering such substitution impossible, then such notice shall be invalid;
  8. At the time of making requests for substitution, Members shall ensure that the security offered for replacement forms part of the securities eligible for contribution to SGF.

**G) CASH CONTRIBUTION TO SGF - PAYMENTS AND RECEIPTS**

1. Members shall effect cash contributions to SGF in multiples of Rupees One Lac in relation to their respective Margin obligations;
2. Members shall arrange to deposit their contributions to SGF as per the SGF Work Flow Process notified by Clearing Corporation from time to time.

3. Clearing Corporation shall not in any manner be responsible for any consequences that may arise on account of non-receipt of deposits from Members towards their cash contributions to SGF;
4. Members shall be entitled to receive credits for their cash deposits into SGF upon receipt of confirmation from RBI of credits into the Current account of Clearing Corporation. The impact of such credits in the Members' SGF shall be reckoned from the end of the business day when credit intimation is received from RBI;
5. Withdrawal of cash contributions by Members shall be with advance notice as prescribed by Clearing Corporation from time to time in the format prescribed for the purpose. Such withdrawal shall result in a corresponding reduction in such Member's SGF balances as and when instructions to transfer such amounts to the Members are issued to RBI by Clearing Corporation.

#### **H) CORPORATE ACTIONS ON SECURITIES CONTRIBUTED TO SGF**

1. Periodical interest receivable by the Members on their securities contributed to SGF shall be received by Clearing Corporation for and on behalf of the Members in the manner and mode prescribed by RBI in respect of Constituent SGL Accounts;
2. Interest received by Clearing Corporation shall be subsequently transmitted to the Members at the earliest. Clearing Corporation shall not be responsible for any delay in receipt of interest by Members and no claim shall rest with Clearing Corporation on this account;
3. Clearing Corporation shall not be responsible for servicing corporate actions on such securities held by Members in its SGF which have been declared as ineligible for SGF contribution;
4. Members shall monitor their securities contributions to SGF to ensure that the securities falling due for redemption are withdrawn from SGF well in advance before the redemption date and substituted by eligible securities of equivalent value. In the event of their failing to do so, redemption proceeds receivable by the Members on such securities shall be received by Clearing Corporation for and on behalf of the Members in the manner and mode prescribed by RBI in respect of Constituent SGL Accounts;

5. Redemption proceeds received by Clearing Corporation shall be treated as cash contribution to SGF.

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## CHAPTER IV : TRADE SETTLEMENT

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### A) KINDS OF TRADES

1. Save as otherwise provided Trades may be contracts relating to outright, repo type with delivery and payments as under :
  - (a) For “T+0” i.e., for delivery and payment on the same day as the date of the Trade;
  - (b) For “T+1” i.e., for delivery and payment on the working day following the Trade date;
  - (c) For “T+N i.e., for delivery and payment on any working day greater than “T+1” but up to and including five days from the Trade date as specified by RBI from time to time;
2. For “Repo” Trades, the delivery and payment as above shall represent the delivery and payment relating to the first leg and shall then qualify for reversal of actions on the repo reversal date.

### B) TIMINGS

Unless otherwise specifically notified, timings for Clearing Corporation’s acceptance of Trades for settlement shall be linked to the timings prescribed by RBI for NDS.

### C) ACCEPTANCE OF TRADES

1. Clearing Corporation shall receive details of Trades from the RBI NDS. It shall accept such Trades reported by the NDS for Clearing and Settlement after verification of Risk Exposure Limits in respect of each individual Member as enumerated in the Chapter VII titled “Risk Management” in these Regulations;
2. Trades accepted shall be classified as under:

#### 2.1 Trades guaranteed for settlement

Trades that fall within Members’ Risk Exposure Limits will be accepted and guaranteed for settlement by Clearing Corporation;

## 2.2 Trades exceeding Risk Exposure Limit

- a) Trades that fall beyond Members' Risk Exposure Limit;
- b) Such Trades may be accepted (vis-à-vis such Members) for settlement without guarantee by Clearing Corporation. Trades once accepted without guarantee would qualify for guaranteed settlement only upon receipt of additional contributions to Member's SGF to cover the shortfall resulting from a breach of the exposure limit;
- c) Such Trade(s) shall be accepted by Clearing Corporation at its absolute discretion;
- d) Acceptance of such Trade(s) by Clearing Corporation shall not constitute any obligation on its part to accept such Trades on a future date nor will it bestow any right to the Member to insist on acceptance of such Trades on a future date.

## D) REJECTION OF TRADES

Clearing Corporation shall have the absolute discretion to reject Trades reported to it by Members for settlement under the following conditions:

1. When Trades reported on behalf of a Member have exceeded the Member's Risk Exposure Limits;
2. When one of the counter-parties to the Trade has been suspended or has been rendered ineligible to avail of Clearing Corporation's services whether temporarily or otherwise;
3. When one of the counter-parties to the Trade is no longer a Member;
4. When the Trade has been received by Clearing Corporation from the NDS after cut-off timing, rendering the Clearing and Settlement of the relative Trade for that settlement date impossible for example, currently Clearing Corporation has access to NDS for capture of market Trades twice during the day i.e., at 1:30 PM and 5:30 PM. If a T+0 Trade is not received in the 1:30 PM time slot, but received in the 5:30 PM slot, by which time all activities relating to Clearing and Settlement of Trades for T+0 value date would have been completed, it shall not be possible to accept such a Trade;
5. In the event of a sudden development when Clearing and Settlement operations for a particular settlement date have been temporarily suspended;

6. When there is any inaccuracy in the reporting of the Trade viz., incorrect Membership ID etc;
7. In the event of a disruption of any kind as provided for in Chapter VIII of the Rules relating to Settlement.

**E) STATUS OF TRADES**

All Trades reported by Members through NDS for Clearing and Settlement through Clearing Corporation have to be specifically accepted for settlement by Clearing Corporation. If at the end of a settlement cycle, a specific Trade has not been accepted, such Trade shall be deemed to have been rejected by Clearing Corporation.

**F) SETTLEMENT REGULATIONS FORM PART OF CONTRACTS**

The Regulations from time to time in force relating to any procedure for settlement of Trades and the resolutions, notices, directions and decisions of the relevant authority for the time being in force shall be a part of the terms and conditions of every contract for all accepted Trades.

**G) SETTLEMENT OBLIGATIONS OF MEMBERS**

Settlement Obligations of all Trades shall be settled by delivery and/or payment by the Members into the Settlement SGL and/or Settlement Current Account of Clearing Corporation on the settlement date.

**H) SETTLEMENT PROCESS**

1. Settlement of Trades shall be effected through a process of novation. Such settlement may be on a multilateral Netting basis or Bilateral Netting basis or Gross basis or Trade for Trade basis or any other basis as may be permitted by the Reserve Bank of India from time to time.
2. Obligations of Members arising therefrom for effecting delivery and/or receiving securities, and paying and/or receiving funds shall constitute the settlement obligations of Members.

**I) MODES OF DELIVERY**

1. Clearing Corporation may from time to time prescribe different modes of deliveries and conditions relating thereto. Without prejudice to the generality of the above, modes of deliveries for all Trades are specified as under:
  - 1.1 Securities deliveries shall be effected through SGL accounts. The RBI Regulations relating to SGL Accounts shall be deemed to form part of any settlement process so prescribed;
  - 1.2 Funds deliveries shall be effected through Current Accounts maintained with RBI. The RBI Regulations relating to Current Accounts shall be deemed to form part of any settlement process so prescribed.

## **J) OBLIGATION REPORTS**

1. Clearing Corporation shall generate and provide to each Member the following Obligation Reports:

### **1.1 Securities Obligation Report**

- a) Shall comprise of security-wise position of a Member for which deliveries are to be given and/or received by it on a settlement date;
- b) Shall be deemed to be Member's confirmation of security-wise position for which deliveries are to be given and/or received by the Member to Clearing Corporation on a settlement date;
- c) Shall be deemed to be the Member's instruction to RBI for effecting these transactions in the Member's SGL account.
- d) In cases where the settlement is through multilateral netting, the security-wise position of a member would represent the net position in respect of that security.

### **1.2 Funds Obligation Report**

- a) Shall comprise of funds payable and/or receivable by a Member for Trades made by it falling due for settlement on settlement date;
- b) Shall be deemed to be a Member's confirmation of the different Trades for which, funds are to be received from and/or paid to the Member on settlement date;
- c) Shall be deemed to be a Member's instructions to RBI for effecting these transactions in its Current Account.

**K) DELIVERY IN PART**

A member with receivable position shall accept part delivery of the securities receivable by him. The undelivered portion of the security shall be dealt with in accordance with Chapter VI of these regulations relating to Defaults.

**L) FAILURE IN DELIVERY**

If a selling Member fails to deliver securities on settlement date, it shall be considered as an act of default by that Member. Such default shall be dealt with as provided in Chapter relating to “Defaults” in these Regulations.

**M) FAILURE IN PAYMENT**

If a buying Member fails to pay funds on settlement date, it shall be considered as an act of default by that Member. Such default shall be dealt with as provided in Chapter relating to “Defaults” in these Regulations.

**N) FAILURE TO RECEIVE DELIVERY/FUNDS**

If a Member fails to take up securities and/or funds delivered to it by Clearing Corporation on the settlement date, the relative funds and/or securities shall be retained by Clearing Corporation for and on behalf of that Member without any cost, risk and/or responsibility to Clearing Corporation and/or any of its officials. Clearing Corporation shall be deemed to have delivered relative securities/funds on the original settlement date.



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## CHAPTER V : MARGINS

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### A) MARGIN REQUIREMENTS

Clearing Corporation may from time to time prescribe requirements of margins for Trades settled through Clearing Corporation and the Members shall furnish such margins as a condition precedent.

### B) MARGIN COMPONENTS

The margins to be provided by the Members shall comprise of:

#### 1. Initial Margin

Initial Margin constitutes the margin obligation required to be fulfilled by a Member as its contribution to SGF in relation to Risk Exposure on outstanding Trades accepted for Clearing and Settlement by Clearing Corporation in respect of that Member;

#### 2. Mark to Market Margin

Mark to Market margin constitutes the margin obligation required to be fulfilled by a Member as its contribution to SGF in relation to adverse price movements arising out of the daily marking to market exercise (outlined in Chapter relating to "Risk Management" in these Regulations) on outstanding Trades accepted for Clearing and Settlement by Clearing Corporation in respect of that Member.

#### 3. Volatility Margin

Volatility Margin comprises the margin obligation required to be fulfilled by a Member as its contribution to SGF in relation to sudden increase in volatility in interest rates and shall be applied, at the discretion of Clearing Corporation, on

- I. outstanding Trades in respect of a Member; and/or
- II. securities contribution to SGF

The Members shall be notified by Clearing Corporation prior to the collection and/or maintenance of Volatility Margin.

#### 4. Concentration Margin

Concentration margin constitutes the margin obligation required to be fulfilled by a member in relation to its outstanding exposure to a security or to a group of

securities, for a settlement date or for a number of settlement dates, beyond pre-determined limit(s). Clearing Corporation shall have the right to stipulate such margin from any future date after due notification to its members.

**C) LIEN ON MARGINS**

A Member's contribution by way of margins either in the form of cash or securities shall be subject to a first and paramount lien for all sums due to Clearing Corporation.

Margin shall be available in preference to all other claims against the Member for the due fulfillment of its obligations and liabilities arising out of or incidental to any deals made subject to Bye-Laws, Rules and Regulations of Clearing Corporation or anything done in pursuance thereof.

**D) SUSPENSION ON FAILURE TO PAY MARGIN**

Notwithstanding anything contained elsewhere in these Regulations:-

1. If a Member fails to fulfill its margin obligation on more than six occasions in a financial half year, Clearing Corporation shall be entitled to temporarily suspend the Membership rights of such a Member;
2. A Member shall be liable to pay penalty as per the Annexure, on the Margin shortfall for the period of delay in fulfilling its margin obligations, Clearing Corporation shall have the sole discretion to vary, from time to time, the rate of penalty applicable for a Margin default; While computing penalty only business day may be reckoned provided such penalty and margin default is paid / replenished by the defaulting member on the next business day. However, in the event of failure by a member to honour its obligation on the next business day, as above, the actual number of days including intervening holidays, Sunday and non-business days shall be reckoned for calculation of penalty amount;
3. Clearing Corporation shall be entitled to recover additional penalties/charges from the Member as per rates specified in the Annexure.
4. In case of margin shortfall by a member, Clearing Corporation, at its sole discretion, may withhold securities or funds pay-out to such member. Such withheld securities or funds would qualify for release only on the member's meeting the margin shortfall;
5. The Membership of a Member who has been subjected to temporary suspension due to non-fulfillment of Margin obligation on six occasions in a financial half year shall automatically come up for review;

6. Clearing Corporation may reinstate a suspended Member upon a review of its action in fulfillment of its Margin obligations and interest/other charges due to Clearing Corporation.

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## **CHAPTER VI : DEFAULTS**

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### **A) DECLARATION OF DEFAULT**

A Member failing to fulfill its obligation in full or in part to deliver funds and/or securities due from it on a settlement date shall be treated as a defaulter.

### **B) DELIVERIES DUE TO THE DEFAULTER**

1. Clearing Corporation shall have absolute and paramount rights/lien over all securities and/or funds due to the defaulter;
2. Securities/Funds held back by Clearing Corporation from a defaulter shall be deemed to have been received by the defaulter and delivered by it to Clearing Corporation towards meeting its Default obligation;
3. Clearing Corporation shall have the absolute right to dispose off the securities and apply the relative sale proceeds and/or funds withheld from the defaulter, to make good non-payment of funds or non-delivery of securities by the defaulter.

### **C) PENALTY ON SETTLEMENT DEFAULT**

Clearing Corporation shall impose on a defaulter, penalty and other charges as specified in the Annexure (relating to Fee and Charges). While computing penalty only business day may be reckoned provided such penalty and default is paid / replenished by the defaulting member on the next business day. However, in the event of failure by a member to honour its obligation on the next business day, as above, the actual number of days including intervening holidays, Sunday and non-business days shall be reckoned for calculation of penalty amount.

### **D) WITHHOLDING OF SECURITIES AND FUNDS**

Notwithstanding anything contained in these Regulations, Clearing Corporation may withhold, for such period(s) as it may decide, pay-out of any securities and/or funds including securities and/or funds constituting Margins, if

- (1) a Member has not delivered the required securities or failed to discharge its payment obligations on the settlement date; or
- (2) a Member fails to satisfy the Margin requirements; or
- (3) a Member fails to fulfill any obligations arising out of Bye-Laws, Rules and Regulations.

## E) SHORTAGE HANDLING PROCEDURE

### 1. Shortage of Funds

- 1.1 The securities deliverable to the defaulter (valued at the latest MTM price of Clearing Corporation plus accrued interest) shall be withheld to cover the value of shortfall plus a reasonable amount to cover interest on the funds outlay and any fluctuation in price of security, till final settlement.
- 1.2 Clearing Corporation shall initiate all measures as are prudent and necessary to meet funds shortage in order to ensure that Trades are settled and all Members except the defaulter receive funds and/or securities due to them. However, in the event of Clearing Corporation not being in a position to meet the funds shortfall, Clearing Corporation shall have the right to allocate such shortage among the members with net funds receivable positions(Non-defaulting members) and the Members shall be deemed to have given consent to such shortage allocation. The securities obligations of such non-defaulting members shall also be reduced proportionately by valuing the securities at MTM prices of Clearing Corporation, along with the proportionate accrued interest.
- 1.3 The defaulter shall be liable to meet its obligations in terms of sub-Regulation (F) below relating to “Default Obligations”;
- 1.4 If Clearing Corporation resorts to the provisions of the sub-Regulation 1.2 above, the defaulter shall be liable to pay (a) amount equivalent to loss due to fall in price, if any, of the relative securities; and (b) charges and penalties as prescribed in the Annexure.
- 1.5 If Clearing Corporation resorts to the provisions of the sub-Regulation at (1.2) above, the non-defaulting Member shall be entitled to receive amount equivalent to loss due to fall in price, if any, of the relative securities
- 1.6 The fall in value of relative securities shall be computed as the differential between the price at which the relative securities have been sold by the non-defaulting Member on the business day next to the default date and Clearing Corporation’s mark-to-market prices (as defined in Chapter VII relating to “Risk Management” in these Regulations) for the relative securities on the date of default. However, when the non-defaulting member does the trade at a price which in the opinion of Clearing Corporation not in line with Market price for the security at the material time, difference between the MTM price of Clearing

Corporation on default day and the MTM Price on the next business day shall be the basis for computation of the compensation;

## **2 Shortage Of Securities**

- 2.1 The funds deliverable to the defaulter shall be withheld to cover the amount of shortfall. To arrive at the value of shortfall, the highest dealt price for the security is considered and if there is no deal in the particular security on the settlement day, latest MTM price of Clearing Corporation for the security and the proportionate accrued interest shall be taken in to account. In the event no funds are payable to the defaulter or funds payable are insufficient to cover the shortfall, securities deliverable to the defaulter shall be withheld to cover the value of shortfall. The securities to be withheld shall be valued at Clearing Corporation's latest MTM prices net of 'hair-cut'. The proportionate accrued interest will be added to the value so arrived and an additional amount will be provided to cover the price fluctuations till final settlement.
- 2.2 Clearing Corporation shall initiate all measures that are prudent and necessary to meet securities shortage to ensure that Trades are settled and all Members except the defaulter receive funds and/or securities as due to them. However, in the event of Clearing Corporation not being in a position to meet the shortfall in a particular security, Clearing Corporation shall have the right to unwind the trade, if warranted, or to allocate such shortfall among the Members having net receivable position in that security (Non-defaulting members), by reducing the quantity of the security receivable and funds payable by the Member, to the extent necessary. Such Members shall be deemed to have given consent to such unwinding of trade/ allocation of the shortfall.
- 2.3 In the event of non-defaulting member opting for securities substitution in lieu of the security in which there is a shortage, Clearing Corporation may provide another liquid security of equivalent value, if the member has indicated its willingness for such substitution in writing, well in advance. Such mandate from the member shall be in force till its revocation by such member. For the purpose of valuation of securities under substitution, MTM prices of Clearing Corporation and the accrued interest will be taken in to consideration.

- 2.4 The defaulter shall be liable to meet its obligations in terms of sub-Regulation (F) below relating to “Default Obligations”;
- 2.5 If Clearing Corporation resorts to the provisions of sub-Regulation (2.2) above, the defaulter shall be liable to pay as under:
- (a) An amount equivalent to the loss due to the increase in price, if any, of the relative securitie(s). AND / OR Interest on funds (total consideration) at NSE MIBOR (9.40 AM) prevailing on the day of default till the date of settlement of compensation.
- (b) Charges, penalties and any incidental charges for securityshortage shall be payable by the defaulter as prescribed in the Annexure.
- 2.6 Any loss suffered by the non-defaulting member due to rise in the price of the security is required to be claimed by non-defaulting member(s) in writing within 7 working days from the date of default, in case of a shortfall allocation.
- 2.7 If Clearing Corporation resorts to action under the provisions of Regulation at (2.2) above, the non-defaulting member shall be entitled to receive (a) amount(s) equivalent to loss due to rise in price, if any, of such securities. AND / OR Interest on funds (total consideration) at NSE MIBOR (9.40 AM) prevailing on the day of default till the date of settlement of compensation.
- (b) In case of Profit on account of fall in price of such security the same shall be deducted from the interest forgone by the non defaulting member on account of non utilization of funds calculated as above. In case the profit exceeds the interest forgone, no compensation shall be paid to the non-defaulting Member.
- 2.8 The increase in value of the securities shall be computed as the differential between the price at which such securities are bought by the non-defaulting Member on the business day next to the default date and the Price at which such security was valued on the date of default. However, when the non-defaulting member does the trade at a price which in the opinion of Clearing Corporation is not in conformity with Market price for the security at the time of trade, difference between the MTM price of Clearing Corporation on default date and the MTM price on the next business day shall be the basis for computation of the compensation.
- 2.9 In case the securities, in which the shortfall has been allocated, in terms of the provisions of sub-Regulation 2.2 above, enter into a shut period on the next

business day, the processes outlined in Regulations 2.5, 2.7 and 2.8 above shall be carried out on the first date when Trades can be carried out in such securities.

Provided that Clearing Corporation may, at the request of the non-defaulting Member, provisionally settle the claim of the non-defaulting Member prior to expiry of the shut period based on an approximate price of the concerned security.

Provided further that interest for the period up to and including the date of default settlement from the date of last interest payment shall be payable by the defaulter and the non-defaulting Member and/or Clearing Corporation shall be entitled to receive such amount.

2.10 To facilitate creation of marketable lots in case of a shortage allocation, Clearing Corporation shall have absolute and paramount right to utilize only a rounded off portion from the security balance lying in the SGL account of the defaulter, for settlement of his securities obligation.

## **F) DEFAULT OBLIGATIONS**

### **1. Funds Default**

- 1.1 The defaulter shall be liable to make payment equivalent to the shortfall together with charges, penalties and other levies as per the Annexure, within the specified cut-off time.
- 1.2 Clearing Corporation, upon receipt of confirmation about receipt of funds into its Current Account, shall arrange to return/deliver the securities withheld from the defaulter;
- 1.3 In the event of the defaulter not making payment equivalent to the shortfall together with charges, penalties and other levies as described above, Clearing Corporation shall have the absolute right to sell and/or dispose off, in any manner it may deem fit, the securities withheld from the defaulter, adequate to cover the default obligation, and apply the proceeds for discharge of the defaulter's obligation. Excess amounts, if any, realized from such sale/disposal shall be payable to the defaulter together with excess unsold securities withheld if any;
- 1.4 In the event of the sale proceeds of the securities withheld from the defaulter not being sufficient to cover the default obligation, Clearing Corporation shall be



- authorised to appropriate the defaulter's cash contribution to SGF towards recovery of its default obligation;
- 1.5 In the event of the sale proceeds of the securities withheld from the defaulter and its cash contribution to SGF not being sufficient to cover the default obligation, Clearing Corporation shall be authorised to sell and/or dispose off, in any manner as it may deem fit (adequate to cover the default obligation), the defaulter's securities contribution to SGF towards recovery of its default obligation;
  - 1.6 In the event of the sale proceeds of the securities withheld from the defaulter and its cash and securities contribution to SGF not being sufficient to cover the default obligation, the defaulter shall be liable to meet the shortfall in its default obligation to Clearing Corporation together with interest, charges, and penalties at the applicable rate as specified by Clearing Corporation on a case to case basis;
  - 1.7 The Clearing Corporation shall initiate the process of sale/disposal of withheld securities and/or securities contributed to SGF on the second business day from the date of default;
  - 1.8 In case the securities, withheld from the defaulter, enter into a shut period on the date when the sale/disposal process falls due under these Regulations, disposal of such securities shall be carried out on the first date when Trades can be carried out in such securities;
  - 1.9 In case the securities withheld from the defaulter enter into a shut period on the date when the sale/disposal process falls due under these Regulations, the securities contributed by the defaulter to SGF shall be disposed off pending sale/disposal of the withheld securities;
  - 1.10 In case the securities contributed by defaulter to SGF enter into a shut period on the date when the sale/disposal process falls due under these Regulations, disposal of such securities shall be carried out on the first date when Trades can be carried out in such securities.

## **2. Securities Default**

- 2.1 The defaulter shall be liable to deliver the security in which default has been committed, together with charges, penalties and other levies as per the Annexure, and the procedure laid down by Clearing Corporation and modified from time to time, within the specified cut-off time.
- 2.2 In case Clearing Corporation has delivered another security in substitution of the security under default, as opted by the non-defaulter in terms of provisions of sub clause 2.3 of shortage handling procedure above, the defaulter shall deliver the substituted security to Clearing Corporation (security delivered by Clearing Corporation to the non-defaulting member) together with charges, penalties and other levies as provided in the Annexure, and as per the procedure laid down by Clearing Corporation and modified from time to time. The Clearing Corporation, upon receipt of confirmation about receipt of securities into its SGL Account, shall arrange to return the funds and/or securities withheld from the defaulter;
- 2.3 In the event of the defaulter not delivering the securities in which default has been committed or the substituted security as indicated in clause 2.2 above together with charges, penalties and other levies as described above, Clearing Corporation shall have the absolute right to appropriate funds withheld and/or sell and/or dispose off, in any manner as it may deem fit, the securities withheld from the defaulter (adequate to cover the default obligation) and apply the proceeds thereof for purchase of the securities in which default has been committed. Excess amounts, if any, realized out of such appropriation/sale/disposal shall be payable to the defaulter together with excess unsold securities withheld, if any, after adjustment of charges, penalty, fees as described above;
- 2.4 In the event of the funds appropriated and sale proceeds of the securities withheld from the defaulter not being sufficient to cover the default obligation, Clearing Corporation shall be authorised to appropriate the defaulter's cash contribution to SGF and apply the same towards discharge of default obligation;
- 2.5 In the event of the funds appropriated and the sale proceeds of the securities withheld from the defaulter and its cash contribution to SGF not being sufficient to cover the default obligation, Clearing Corporation shall be authorised to sell and/or dispose off, in any manner it may deem fit under the circumstances (in

- market lots, adequate to cover the default obligation), the defaulter's securities contribution to SGF towards recovery of default obligation;
- 2.6 In the event of the funds appropriated and the sale proceeds of the securities withheld from the defaulter and its cash and securities contribution to SGF not being sufficient to cover the default obligation, the defaulter shall be liable to meet the shortfall in his default obligation to Clearing Corporation together with interest, charges, penalties as specified in the Annexure.
  - 2.7 Clearing Corporation shall initiate the process of sale/disposal of withheld securities and/or securities contributed to SGF on the second business day from the date of default;
  - 2.8 In case the securities withheld from the defaulter enter into a shut period on the date on which the sale/disposal process falls due under these Regulations, disposal of such securities shall be carried out on the first date when Trades can be carried out in such securities;
  - 2.9 In case the securities withheld from the defaulter enter into a shut period on the date on which the sale/disposal process falls due under these Regulations, the securities contributed by the defaulter to SGF shall be disposed off pending sale/disposal of the withheld securities;
  - 2.10 In case the securities contributed by defaulter to SGF enter into shut period on the date on which the sale/disposal process falls due under these Regulations, disposal of such securities shall be carried out on the first date when Trades can be carried out in such securities.

### **3. Reporting of shortages**

All instances of funds or securities shortages of Members encountered by Clearing Corporation, whether settled or withdrawn from settlement, shall be promptly reported to the Reserve Bank as required, giving all the necessary details;

## CHAPTER VII : RISK MANAGEMENT

### A) SCOPE

1. Clearing Corporation shall cover its risk through prescription of initial margin, mark to market margin, volatility margin and Concentration margin;
2. This Chapter outlines the risk management policy of Clearing Corporation. Notwithstanding anything contained herein, Clearing Corporation shall have the sole discretion to improve upon and perfect its policies relating to risk containment measures from time to time;
3. The Values of Outstanding Trades shall be converted into equivalent Risk Exposure numbers by using security-specific risk exposure factors (expressed in terms of percentage based on Value at Risk or such other means as may be decided by Clearing Corporation) and each Member shall be required to provide for initial Margin to the extent of such amounts as corresponds to Member's value of outstanding Trades. Clearing Corporation shall be entitled to modify the risk exposure factors at such periodicity as it may deem fit;
4. Clearing Corporation, after due notification, may be entitled to set higher margin factors for different members, based on their nature of business, net worth or such other factors as may be decided by the Clearing Corporation from time to time.
5. Clearing Corporation may, after due notification, set prudential limit for each member in terms of its aggregate outstanding trade exposure of the member (in terms of total consideration or otherwise, as may be decided by Clearing Corporation from time to time). Such limit may be set by Clearing Corporation based on the member's nature of business, net worth or such other factors as considered appropriate by Clearing Corporation. In the event of Members exceeding such limit Clearing Corporation may be entitled to set higher margin for the member in respect of trades which are in excess of such limits.
6. Clearing Corporation may set additional initial margin for trades conducted by a member at off market prices. Such margin shall be payable by the seller of the security if the prices are set at lower than market price or buyer of the security if the prices set at higher than the market price. Such margin shall be equal to the difference between the traded price and the market price.

Such margin shall be released after the concerned trade is marked to market margin and marked to market margin on such trade has been actually collected from the concerned counterparty.

- 7 The Mark to Market margin shall be worked out based on the price movements on the underlying securities corresponding to each Trade. For computing price changes, mark-to-market price as described in sub-Regulation (B) below shall be compared against the Trade price.

## **B) MARK-TO-MARKET PRICE**

1. Mark-to-Market price shall be computed based on weighted average price of the last five outright transactions reported through NDS for each security for the relative business day.
2. In case the number of Trades reported through NDS in a particular security is less than five on any business day, the weighted average price of available Trades shall be the basis for computation;
3. For the purpose of sub-regulations B.1 & B.2, any price out of any small value trade of face value less than Rs. 5 Crore in any security or prices out of deals which are clear off market prices as identified by Clearing Corporation at its sole discretion, shall not be taken into consideration. Clearing Corporation shall also have the right to exclude any price out of single trade in any security during the day, if in its opinion such price does not reflect market condition appropriately.
4. In case no Trade is reported through NDS in a particular security on any business day, the last available Mark to Market price for the security shall be the basis for computation. The Mark to Market price used for computation shall not be more than seven days old. Provided that Clearing Corporation may in its absolute discretion be entitled to continue to use such reference prices if in its opinion the same adequately reflects the market conditions;
5. In case no Trade is reported through NDS in a particular security for the previous seven business days, Mark to Market price for such security shall be based on the Internal Valuation Model of Clearing Corporation which in turn may be based on relevant parameters such as yield, liquidity, duration, volatility and such other parameters as may be decided by Clearing Corporation from time to time. Provided that Clearing Corporation shall in its absolute discretion be entitled to arrive at Mark to Market price using such internal valuation model in case there

is no Trade in a particular security and/or the Trades in the relative securities, in the opinion of Clearing Corporation, are inadequate to reflect the true market price.

## **C) PROCESS**

### **1. Initial Margin**

- 1.1 The initial margin obligation of each Member in respect of each of its outstanding Trades shall be computed by multiplying the value of the relative security (ies) with the corresponding risk exposure numbers (termed as Margin factors) as described in Regulation A above; (value for this purpose shall mean total consideration of the trade. Clearing Corporation may, after due notification, consider the value of the trade at its Mark to Market price after the process of Marking to Market of the trade is over.)
- 1.2 The sum total of the initial margins of each individual Outstanding Trade for a Member, as computed in sub-Regulation 1.1 above, shall form the Initial Margin Obligation of that Member;
- 1.3 A Member's Initial Margin Obligation shall be computed as at the cut-off time of each trading session of a business day and shall form the basis for deciding whether that Member's Trade(s) has exceeded its Risk Exposure Limit. Provided that the computation of such margin obligation may be carried out on-line on a Trade by Trade basis as and when adequate facilities to support the same are in place. The Members shall be notified by Clearing Corporation prior to such on-line computation being brought into operation;
- 1.4 While aggregating initial margin on each outstanding trade as described above, offset may be allowed between initial margins on buy trades and sale trades in same security for same settlement date. For such trades, lower of the net buy quantity and net sale quantity in the particular security having same settlement date would be arrived at. Thereafter, difference in the amount payable for the buy quantity would be compared against amount receivable on the sale quantity, using first in first out principle. If the difference is positive i.e. payable amount is higher than receivable amount, such difference would be treated as Initial Margin for such group of trades. Any residual buy or sale amount shall be subjected to Initial Margin as if the trade is concluded by the member only for

such residual amount. This provision shall come into effect upon notification by Clearing Corporation;

1.5 The Initial margin in respect of a repo and/or reverse repo transaction(s) shall be computed based on the value of the first leg of the trade till its settlement. Thereafter, Initial margin in respect of the transaction shall be computed based on the value of the settlement of second leg of the trade.

1.6 If the first leg of a Repo/Reverse Repo trade is to trigger any offset against any other outstanding trade, as per sub-clause 1.4 above, the value of the first leg of the trade shall be ignored for computation of Initial Margin. If such trade has, however, been done at off market price, the trade may be subjected to Additional Initial Margin requirement as described in clause A(6) above .

1.7 In 1.6. above, if the value of the first leg of the trade is higher than the net outstanding trade position in the security in relation to which it is to trigger offset, Initial Margin shall be computed for the amount of difference between the value of the first leg of the Repo/Reverse Repo Trade and the net outstanding value of the trade positions in the said security. Such amount shall be treated as Initial Margin against the first leg of such Repo/Reverse Repo trade."

## **2. Mark to Market Margin**

2.1 A Member shall be liable to maintain mark to market margin in respect of Adverse Positions on its outstanding Trades, except for outright trades done by the Member for settlement on T+0 and T+1 basis and for overnight repo Trades (i.e., for Trades where the second leg would be settled on or before the T+1th day); However, Clearing Corporation may after due notification subject T+1 and Overnight Repo trades to MTM Margin;

2.2 The mark to market margin obligation of each Member shall be computed in respect of each such Trade(s) by multiplying the value of relative securities with the corresponding price movement as described in sub-Regulation A(3) above;

2.3 The sum total of mark to market margins of each individual outstanding Trade as computed in sub-Regulation (2.2) above shall form the mark to market margin

- obligation of the Member and such margin shall be maintained till the settlement of such trade;
- 2.4 While aggregating trade-wise Mark to Market margin as described in sub para 2.3 above, Clearing Corporation may, after due notification permit offset between Mark to Market margins on buy trades and sale trades in same security for same settlement date (i.e. if Mark to Market Margin is recoverable from a member for his buy trades on a security for a settlement date, such margin amount shall be reduced by the notional mark to market gain on the sale trades of the same member in the same security for the same settlement date. Reverse would be the case if Mark to Market Margin is recoverable from a member for its sale trades);
  - 2.5 A Member's mark to market margin obligation shall be computed as at the end of each business day and shall be valid till its computation as at the end of the subsequent business day;
  - 2.6 The first leg of a Repo/Reverse Repo shall not be subjected to any MTM margin requirement. If however, the trade has been conducted at an off-market prices so as to attract Additional Initial Margin in terms of clause A(6) above, such trade shall be subjected to Mark to Market margining in the usual manner.
  - 2.7 Mark to market margin shall be payable on the second leg of a Repo/Reverse Repo trade in the usual manner. Such margin, however, become payable at the end of the day prior to the of settlement of first leg of the concerned Trade."

#### **D) VALUATION OF SECURITIES IN SGF**

1. The securities contributed by Members to SGF shall be subjected to a valuation exercise on each valuation day. Clearing Corporation shall carry out valuation at fortnightly intervals on Reporting Fridays or at such frequencies as may be notified by Clearing Corporation from time to time. Clearing Corporation shall be entitled, at its absolute discretion, to change the frequency of such valuation;
2. The valuation of SGF securities shall be carried out using the mark to market price described in sub-Regulation (B) above;
3. Clearing Corporation shall, in its absolute discretion, specify haircuts on the respective market values as per rates prescribed for the eligible securities from time to time;



4. Member contributions to SGF shall be subjected to a valuation exercise at every instance of securities deposit and/or withdrawal from its SGF at the end of the business day at the relevant mark to market prices.

**E. REPO WITH SECURITIES VALUED AT OFF-MARKET PRICES**

If any member enters into a Repo trade with another member where the underlying security has been valued at an off-market price attracting the provisions of A.4 above relating to Initial Margin and Clearing Corporation has accepted the trade for guaranteed settlement, it may, after due notification to such member, hold back delivery of the underlying security (if the security has been undervalued) or that portion of the funds which represent the overvalued component (in case of overvaluation of the security) till Additional Initial Margin, as per provision of A.6, has been duly collected from such member. Such securities, if held back, shall be transferred in the interim to the SGL account of Clearing Corporation.

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## CHAPTER VIII : SUDDEN EVENT HANDLING

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1. Due to the occurrence of any unforeseen event or circumstance beyond the control of Clearing Corporation, it may be required to abruptly suspend the Clearing and Settlement of Trades by the declaration of an unscheduled holiday. An Unscheduled Holiday may be declared on the happening of events that lead to the total disruption of transactions coming to a halt, like due to general bandh / RBI strike, disruption of public utility services due to heavy rains or any other factor beyond the control of Clearing Corporation which shall have impact on the overall system. It is expected that events occurred which affects one or few members participating in securities market would not adversely affect the settlement process at Clearing Corporation.
  
2. In such an eventuality, the following procedure shall be adopted :
  - a) The trades due for settlement on such days shall be aggregated with the trades due for settlement on the next business day at the consideration as originally agreed to by the Members.
  - b) In case of outright trade(s) involving a security which has entered a shut period on the day of revised settlement, such trade(s) would be settled on the first business day after expiry of the relative shut period at the same consideration originally agreed to by the Members. Trades entering into shut period for redemption shall be removed from settlement by Clearing Corporation.
  - c) In respect of repo/reverse repo trade(s), the repo period shall remain unchanged by shifting the settlement dates of first and second leg to next respective business days. However all overnight repo trades shall be rejected by Clearing Corporation.
  - d) In case of repo Trades where settlement date of second leg is shifted due to Unscheduled Holiday and revised settlement date falls in shut period prior to redemption, such second leg settlement shall be removed from settlement by Clearing Corporation.
  
3. Difference in considerations due to shifting of settlement dates as mentioned in 2(a) to 2(d) above shall be exchanged bilaterally by the respective Members among themselves.

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## **CHAPTER IX : ACTIVITY TIME SCHEDULES**

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1. Clearing Corporation shall from time to time specify cut-off timings for normal acceptance of Trades from Members for Clearing and Settlement;
2. Clearing Corporation shall be authorised to make changes to the cut-off timings, as considered necessary from time to time, depending upon changes in market practices and/or requirements of RBI and/or other regulatory bodies/agencies;

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## **CHAPTER X : NOTICES**

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1. Clearing Corporation shall specify formats for receiving Notices from Members to facilitate its operations;
2. Clearing Corporation shall have the absolute authority to make changes in the formats as it may consider necessary from time to time. Changes if any shall be advised to Members prior to being brought into operation;
3. Clearing Corporation shall, in its absolute discretion, decide the mode and manner of delivery/receipt of notice to/from its Members;

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## CHAPTER XI : MISCELLANEOUS

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### LIABILITY OF CLEARING CORPORATION

1. Clearing Corporation shall not be deemed to guarantee the title, ownership, genuineness, regularity or validity of any security or any document passing through Clearing Corporation and shall not in any manner whatsoever be and/or deemed to be associated and/or responsible for the underlying transactions of the relative Trades;
2. The only obligation of Clearing Corporation shall be to facilitate clearing, settlement, delivery and payment in respect of securities and/or funds between Members in consideration of the Members fulfilling all the requirements of these Bye-Laws, Rules and Regulations and such other requirements prescribed by Clearing Corporation from time to time. Provided that no claim, liability and/or responsibility shall rest with Clearing Corporation and/or any of its officials in the event of such clearing, settlement, delivery and payment of securities and/or funds not being facilitated for reasons beyond the scope and control of Clearing Corporation.

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## **CHAPTER XII : FEES AND CHARGES**

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### **A) SCHEDULE OF FEES AND CHARGES**

1. The Board or any other Committee appointed by the Board or Official(s) of Clearing Corporation authorised by the Board in that behalf shall prescribe the scale of fees, charges, levies, fines and/or penalties payable by Members for services provided by Clearing Corporation from time to time;
2. The Board or any other Committee appointed by the Board or official(s) of Clearing Corporation authorised by the Board in that behalf shall be empowered to review the various fees, charges, levies, fines and/or penalties and effect such changes in the same as it considers necessary;
3. The revised tariff, as and when made effective, shall be payable by Members;
4. The schedule of such charges shall be as specified in Annexure.

### **B) BILLS FOR FEES AND CHARGES**

1. Clearing Corporation shall render monthly bills relating to its usual fees and charges for services provided by Clearing Corporation from time to time;
2. The bills of Clearing Corporation shall be notified to the Members at monthly intervals on the first business day of every month in respect of Transaction charges in respect of the Member for the immediately preceding month;
3. The Members shall verify their monthly billings and notify Clearing Corporation of discrepancies, if any, with all necessary details latest within two days from the date of notification of relative bill.

### **C) RECOVERY OF CHARGES**

1. The Members shall effect payment of the Transaction charges payable by them to Clearing Corporation in terms of their monthly bills (as per B above) in the manner specified by Clearing Corporation from time to time by the 10th calendar day of every business month failing which Members shall be liable to pay penalty on delayed payment of charges as per the Annexure.
2. The payment of fines, penalties and/or other levies shall be payable by the Members separately as and when such a demand has been made on those Members by Clearing Corporation.

**ANNEXURE**

**SECURITIES SEGMENT**

**Schedule of Charges, Penalties and Compensations**

*(Please refer to Chapter VI & XII of the Regulations relating to the Securities Segment)*

Sl.No.	Particulars	Charges
<b>A) Transaction Charges – (Payable latest by 10<sup>th</sup> of the subsequent month as per relative Bill, failing which penalty would be payable as per A.4 below)</b>		
1	SECURITIES Settlement of Outright Trades (Payable by each counter-party)	Rs.150 per crore of face value, Minimum Rs.25/- Maximum Rs.5000/- per Trade
2	TREASURY BILLS Settlement of Outright Trades (Payable by each counter-party)	Rs.75 per crore of face value, Minimum Rs.25/- Maximum Rs.5000/- per Trade
3A	Settlement of OVERNIGHT Repo Trades (One Day) (Payable by each counter-party)	Rs.10 per crore of face value, Minimum Rs.20/- Maximum Rs.1000/- to be charged separately for each leg of Trade
3B	Settlement of TERM REPO Repo Trades (beyond One Day) (Payable by each counter-party)	Rs.20 per crore of face value, Minimum Rs.20/- Maximum Rs.1000/- to be charged separately for each leg of Trade
4	Delayed payment of Transaction Charges and System Usage charges. (If payment is made after 10 <sup>th</sup> of a calendar month)	5 basis point per day, on the amount of charges.
<b>B) Penalty for Margin Shortfall</b>		
1	Penalty for Margin Shortfall (based on number of days in a calendar quarter) (Intraday margin shortfall will be treated as a shortfall for one day.)	a) 5 basis point per day on the amount of shortfall for first three days. (Charges below Rs.25/- will be waived). b) 10 basis points per day on the amount of shortfall from 4 <sup>th</sup> day to 13 <sup>th</sup> day c) 20 basis points per day on the amount of shortfall from 14 <sup>th</sup> day onwards.
<b>C) Payment to be made by the defaulting member</b>		
1	For Securities Default	a) 8 basis point per day, on the amount of default till the replenishment of the security. b) Charges incidental to meet such security default.
2	For Funds Default	a) 5 basis point on the amount of default till the default is fully met. & b) Line of Credit (LOC) charges incurred by Clearing Corporation to meet such funds default