



THE CLEARING CORPORATION OF INDIA LTD.

**5th, 6th & 7th Floor, Trade World, C Wing, Kamala City,
Lower Parel (West), Mumbai – 400 013**

NOTIFICATION

Date: December 01, 2008.

Notification No.: CCIL/DRV/RDS/08/43

To,
**Member Banks
Rupee Derivatives Segment**

Dear Sir/Madam,

Re: Commencement of Non- Guaranteed settlement for OTC trades in Rupee Derivatives

Settlement of OTC trades in Rupee Derivatives by CCIL on a non-guaranteed basis has commenced from November 27, 2008. The process flow of the operations of the non-guaranteed settlement is outlined in Annexure I.

Banks/Primary Dealers interested in joining the segment are requested to submit the necessary membership documentation to CCIL.

Thanking you,

Yours faithfully,
for The Clearing Corporation of India Ltd,

p.Managing Director

Encl: a/a

Annexure I:

Process flow for implementation of non-guaranteed settlement is as follows:

A) Settlement Process:

1. The Final Settlement Obligations shall be made available to all members at EOD of the previous business day. This report would be the basis for settlement.
2. On the day of the settlement, the settlement file will be sent to RBI for settlement through RTGS. The amounts payable would be debited from the member accounts through RTGS in the morning at around 11.00 a.m.
3. If the member's account is sufficiently funded and the pay-ins are successfully debited, the payouts would be released immediately through RTGS.
4. Currently, the settlement at RBI is on a "All or None" basis and hence in case of insufficient funds in the account of any member(s) would result in rejection of the entire file by RBI.
5. In this case the shortage will be handled in the manner prescribed below:

B) Shortfall Handling process:

1. The shortfall amount would be handled by allocating the shortfall to the members who were to receive funds on a bilaterally netted basis from the member in default- with the allocation being in the ratio of net amounts receivable from the defaulting member.
2. Such allocation could result in revision of the obligation values for the counterparties as under:
 - a) Reduction in existing payout (receivable) value or
 - b) Increase in existing pay-in (payable) value or
 - c) Conversion of existing payout to pay-in value.
3. All affected counter-parties would be informed about the revised obligation values by phone and email.

4. Members whose receivable position is converted to a payable position or for those members whose payable position is increased, will be required to fund their account with RBI before 1.00 p.m .
5. Revised settlement file would be sent by CCIL to RBI through RTGS around 1.00 p.m
6. If all pay-ins (payable by the member) are successfully processed, the payouts or the receivable obligations of the members would be paid out.
7. In the unlikely event of a shortage being encountered at this stage, settlement for the day would be abandoned and members would accordingly be informed.
8. In such cases, CCIL would ensure that the decision is taken around 2.00 p.m and communicated to all members so that the members can settle the netted values on a bilateral basis. Information about such netted bilateral positions shall be available in the Settlement obligation report.