

NOTIFICATION

This has been superseded by Notification No. CCIL/FX-FF/15/15 dated 03-March-2015 on Cash Settlement Process in Forex Forward Segment

Date: 15th July, 2011

Notification No.: CCIL/FX-FF/11/08

**All Member Banks
Forex Forward Segment**

Dear Sir/Madam,

Re: Cash Settlement Process – Forex Forward Segment.

This notification is issued to elaborate, update and consolidate the notifications and letters previously issued regarding the Cash Settlement Process. In terms of notification CCIL/FX-FF/09/18 dated 5th November, 2009, the netted position of a member received from the Forex Forward Segment shall be accepted to the extent of the exposure limit of the bank. The amount of netted position arising out of forward trades accepted for settlement in the Forex Forwards segment which remains in breach of the bank's Exposure Limit after processing of the batch at 10:00 a.m. on S day in the Forex Settlement Segment shall be Cash Settled. The process of Cash settlement is as follows:

(I) Cash Settlement Process

The cash settlement process shall be as set out in Chapter IV (E) (8) of the Regulations of the Forex Forward Segment.

II) Cash Polling Process

As explained in Chapter IV (E) (8) of the Regulations of the Forex Forward Segment, the rate used for Cash Settlement shall be the INR/USD Cash Rate as polled by Clearing Corporation at around 10:00 a.m. on S day. Clearing Corporation has entered into an understanding with ten banks for providing the indicative "**Cash Outright Buying Rate**" as and when called upon by Clearing Corporation for the above purpose. The cash rate to be used for Cash settlement process shall be polled by Clearing Corporation at 10:00 a.m. The request for quote shall be made to five banks chosen at random out of the ten over FX-Clear Negotiation or telephonically. The weighted average rate of the rates indicated by five banks shall be used for Cash settlement. Further, in terms of Ch. IV (E) (8) (vii) and Ch. IV (E) (8) (viii), a

compensation of **Rs.0.01** would be added to the rate at which the Cash Settlement is effected. As explained in Chapter IV (E) (8) (vii), the allocatee member may buy US Dollars from the market for the same settlement date to the extent of allocation and if it has done so, it can upon intimation to Clearing Corporation, claim that the cash settlement be effected using the rate at which it has purchased US Dollars duly increased with the compensation amount. Clearing Corporation shall modify the rate used for Cash settlement accordingly. However, if the rate is identified as an outlier, Clearing Corporation may reject the request and continue to use the polled rate for the purposes of Cash Settlement. A rate will be treated as an outlier if it is 5 paisa per US Dollar away from the highest Cash rate arrived at by Clearing Corporation based on the highest dealt Spot Rate from Clearing Corporation's FX CLEAR trading platform between 10.00 a.m. and 12.30 p.m. adjusted for lowest Cash/Spot premium (highest in case USD is in discount) for the day as per Reuter Information System page INR1F=. In case, any such rate is not available, CCIL will be entitled to the indicative rate available from any other source based on availability.

III) Penalty on Cash Settlement

In terms of our notification no. CCIL/FX-FF/09/24 dated 24th December, 2009, Clearing Corporation reserves the right to levy penalty on the member on whose account Cash Settlement is resorted to.

Accordingly, a penal charge of **1 basis point** would be levied on the amount Cash settled. RBI reference rate for the settlement day shall be used as the basis for conversion of the amount cash settled in rupee terms. The penalty shall be payable in INR.

Yours faithfully,
for The Clearing Corporation of India Ltd.,

sd/-
Managing Director