



THE CLEARING CORPORATION OF INDIA LTD.

NOTIFICATION

This has been superseded by Notification No. CCIL/FX-FF/14/13 dated 26-Mar-2014 on Changes to the Forex Forward Regulations

Date: 28th February, 2013

Notification No.: CCIL/FX-FF/13/07

All Member Banks

Dear Sir/Madam,

Re: Changes to the Forex Forward Regulations.

We append the changes to the Regulations of the Forex Forward Segment including the changes to the processes advised under the following notifications:

- 1) No. CCIL/RMD/FX-FF/13/03 dated 28th Feb, 2013 on Close-out of accepted trades by Resigning Member-Process ;
- 2) No.: CCIL/RMD/FX-FF/13/04 dated 28th Feb, 2013 on Resignation from membership;
- 3) No.:CCIL/RMD/FX-FF/13/05 dated 28th Feb, 2013 on Default Fund – Limitation of Liability towards Replenishment Call;
- 4) No. CCIL/RMD/FX-FF/13/06 dated 28th Feb, 2013 on Close-out of accepted trades - Applicable Exchange Rate; and
- 5) No.: CCIL/FX-FF/12/26 dated 20 Dec 2012 on Changes to Modified Business Day logic

We advise that the changes to the Forex forward segment regulations shall come into effect as on 31st March 2013.

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

sd/-
Managing Director

Annexure I to Notification No.CCIL/FX-FF/13/07

**THE CLEARING CORPORATION OF INDIA
LIMITED**

**CHANGES TO REGULATIONS
(FOREX FORWARD SEGMENT)**

CHAPTER II : MEMBERSHIP

C) RESIGNATION FROM MEMBERSHIP:

1. A member who:

- (i) is not a Defaulter;
- (ii) has met all margin calls; and
- (iii) has replenished their Default Fund contributions in respect of calls made on or before the Resignation Request Date (as defined later);

shall have the right to resign from Forex Forward segment if it satisfies either of the following conditions:

- (a) If the member has no outstanding trade as accepted by Clearing Corporation (hereinafter referred to as “Outstanding Trades”) for 2 previous months; or
- (b) If the member has taken a loss through replenishment of its contribution to Forex Forward Segment Default Fund and the specified loss threshold as notified by Clearing Corporation from time to time in this respect has been reached.

2. A member resigning under clause C1 (a) shall have to give notice in writing to the Clearing Corporation clearly indicating its decision to resign from the Forex Forward segment.

The notice shall be effective on the Resignation Request Date , which for the purpose of this segment shall be the date on which such written notice is delivered to Clearing Corporation in person or by courier, or by a registered mail (with a return receipt requested).

Clearing Corporation shall promptly notify other members of this segment about the resignation request received. Such request for resignation under clause C1 (a) shall be approved by the Managing Director of Clearing Corporation or by an official so authorised by the Managing Director within 2 business days from the Resignation Request Date. The resignation shall come into effect from such date of approval by the Managing Director of Clearing Corporation or by an official so authorised by the Managing Director or in the absence of such approval, it shall be deemed approved at the end of 2 business days from the Resignation Request Date.

The resigning member shall then be entitled to also receive any amount lying as its contribution to the Default Fund account for this segment after adjusting all dues owed by it to Clearing Corporation in terms of its Bye-laws, Rules & Regulations.

3. A member desiring to resign under clause C1(b) above shall have to give notice of 30 calendar days to the Clearing Corporation in writing clearly indicating its decision to resign from the Forex Forward segment.

Clearing Corporation shall promptly notify other members of this segment about the resignation request received.

The resigning member shall then be required to close-out all its Outstanding Trades as of Resignation Request Date within such notice period. The process of close-out for such trades shall be as notified from time to time by Clearing Corporation. If the member has not been able to close-out all its Outstanding Trades within such notice period, the member shall have the following options:

- (a) it can seek extension of time by another 30 calendar days from Clearing Corporation and close-out its remaining Outstanding Trades within the extended period. However, if in the opinion of Clearing Corporation, such extension may be used by the member to disrupt the settlement system, it shall be entitled to refuse any such extension.
- (b) When at least 90% of its Outstanding Trades in value terms is closed-out, within the first 30 days or the extended period as the case may be, the member may request Clearing Corporation to close-out the remaining Outstanding Trades. Clearing Corporation shall close-out these remaining Outstanding Trades with the original bilateral counterparties of the resigning member after notifying the counterparties at least one business day in advance. Such close-out shall be effected at a price to be notified in this behalf by Clearing Corporation from time to time.
- (c) Bilateral counterparties with whom trades are closed-out in terms of sub-clause (b) may square off the positions resulting from such close-out in the market and report the same to Clearing Corporation. Such intimation shall be sent to Clearing Corporation in the prescribed format on the next business day after the close-out. The loss if any incurred by the bilateral counterparties shall be borne by the exiting members, who shall within [one hour] of notice to them (exiting member) by Clearing Corporation or within

such extended time period as CCIL may in its discretion upon request from the exiting member agree, deposit the amount in cash with Clearing Corporation which shall then be passed to the bilateral counterparty which incurred the loss. Provided, however that if such claim is raised by Clearing Corporation in the last business hour of the day, the exiting member shall be liable to pay during the first hour of the next business day. In case of any non-payment of the amount, the exiting member will be declared as a defaulter and shall lose the option to exit.

Provided that the rate at which the bilateral counterparty has covered the position is identified as an outlier by Clearing Corporation, the exiting member shall not be liable for the loss. The decision of Clearing Corporation in regard to admissibility of loss in these circumstances shall be final and irrevocable.

4. All request for resignation under clause C1(b) shall be approved by the Managing Director of Clearing Corporation or by an official so authorised by the Managing Director after the member has closed-out all its Outstanding Trades within the specified 30 days notice period or within the extended period and upon the fulfilment of all the requirements under clause C(3). If such approval is not given by the end of the day of the member's closing out of all its outstanding trades (including the closing out in terms of sub-clause C(3)(b)), it shall be deemed approved at the end of such day. Such resignation shall however_come into effect from the end of the day upon the acceptance by Clearing Corporation of the trades generated out of the close-out process. The resigning member shall thereupon be entitled to receive any amount lying to the credit of its Default Fund account for this segment after adjusting for other dues to Clearing Corporation.
5. If the member fails to close-out all its Outstanding Trades in accordance with clause C(3) above, the resignation notice shall automatically become null and void.
6. The procedure as specified in Chapter IV- Rule 7-Resignation of CCIL Rules, shall not apply to the member resigning as per the clause C of this Chapter.

CHAPTER VI : DEFAULTS

(B) DEFAULT HANDLING PROCEDURE

6. Bilateral counterparties with whom trades are closed-out in terms of this clause may cover the positions resulting from such close-out in the market and report the same to Clearing Corporation. Such intimation shall be received by Clearing Corporation in the prescribed format on the next business day after the close-out. The loss, if any, accruing to the bilateral counterparties on account of such close-out shall be recovered from the defaulter and passed on to the relevant bilateral counterparty. In case such recovery from the defaulter is not possible or the recovered amount is less than the amount due for recovery for any reason whatsoever, Clearing Corporation shall distribute the amount so recovered to the bilateral counterparties in proportion to the amount due to them as above.

Provided that the rate at which the bilateral counterparty has covered the position is identified as an outlier by Clearing Corporation, the defaulter shall not be liable for the loss. The decision of Clearing Corporation in regard to admissibility of loss in the circumstances shall be final and irrevocable.

CHAPTER VII : DEFAULT FUND

B. CORPUS:

ii) The size of the fund shall be determined at the end of each Month.

In addition, in case any member resigns from the segment using the option provided under clause C 1(b) of Chapter II or a member is declared a Defaulter and its contribution to Default Fund is either utilized or allowed to be withdrawn under insolvency or cessation of membership in any other manner, Clearing Corporation shall re-compute the value of the Default Fund.

Provided however that Clearing Corporation shall have the right to change the frequency of such stress tests as also the size of the corpus after due notification to the members.

C. CONTRIBUTIONS

ii) The member's contribution to the DF shall be determined with reference to the total size of the fund and shall be based on:

- a. Gross value of positions across settlement dates
- b. Initial Margin contribution by the member.

for the period since last re-computation of default fund contribution of the members with equal weights assigned to each of (a) and (b).

Provided however that Clearing Corporation shall have the right to change the weights assigned after due notification to the members.

F. RECEIPTS AND DELIVERIES OF MEMBERS CONTRIBUTION TO DF:

vi) Withdrawal of securities by members shall be permitted only if the member continues to maintain the balance required after such withdrawal or upon resignation by a member from the segment as set out in Chapter II Clauses C(2) & C(4);

ix) Withdrawal of cash contributions by members shall be permitted only if the member continues to maintain the balance required after such withdrawal or upon resignation by a member from the segment as set out in Chapter II Clauses C(2) & C(4);

I. UTILISATION

- (ii) If there is more than one default in a day, defaults shall, subject to Clearing Corporation not having commenced any action on any such defaults, be handled by Clearing Corporation in descending order of the estimated size of shortfall. In case Clearing Corporation has commenced any action on any such default, such default shall not be considered for the descending order priority.

- (iii) If there is any allocation of residual loss to the Default Fund account of other members (i.e. non-defaulter members) in terms of i(d) above, Clearing Corporation shall notify the total amount of such allocation on each such occasion. Clearing Corporation shall also notify the cumulative amount of such usage in the past one year period ending on such date.

J. REPLENISHMENT

- v) The maximum contribution of a member towards replenishment of its contribution to Default Fund for the Forex Forward segment in the 30 days' period immediately after the loss threshold as referred in Chapter II Clause C1(iii)(b) above having been reached, shall not exceed 5 times of its contribution to Default Fund based on last re-computation of Default Fund contribution of the members carried out as per the process described in Clause B(ii) above, subject to a monetary ceiling of Rs 5500 Crores. A member shall not be obligated to contribute any amount in excess of the monetary ceiling during the aforementioned period of 30 days.
- vi) The amounts mentioned in (v) above as maximum contribution for a member and the threshold as referred in Chapter II Clause C1(b) shall be reviewed periodically by the Clearing Corporation based on market size, volatility etc. Any change in any of the ceilings as above or in the threshold as stated above due to such review shall be effected after giving a notice of 90 days to the members.

CHAPTER XI: HOLIDAY HANDLING

Due to the declaration of holidays (in India or in United States of America), it may be required to alter the value dates of trades reported by Members to the Clearing Corporation.

For trades which have settlement date as holiday, the settlement date shall be shifted to the next business date.

Provided that, if the holiday is known at least 3 business days before the holiday and it is a month-end day, the settlement date shall be shifted to the preceding business day.

In the event holiday is declared after the netted position has been transferred to the Forex settlement segment, in terms of Chapter (IV)(E)(4) of these Regulations, i.e., on S-2 day, the shifting of the settlement date shall be governed by the Forex Settlement Regulations for holiday handling.