



## THE CLEARING CORPORATION OF INDIA LIMITED

### NOTIFICATION

**This has been superseded by Notification No. CCIL/FXS-CLS/17/01 dated 04-Jan-2017 on Changes to the CLS Segment Regulations**

**Date: 02.12.2015**

**Notification No.: CCIL/FXS-CLS/15/69**

**All Members**

**CLS Segment**

Dear Sir/Madam,

**Re: Changes to the CLS Segment Regulations**

Members are hereby advised that the CLS Regulations have been modified to include:

- i. Change in Settlement Bank from RBS plc to UBS Switzerland AG.,
- ii. Withdrawal of facility for transfer of USD funds due to a member in the USD-INR segment towards its payable in the CLS segment as point no (c) as per Notification no: CCIL/FX-CLS/07/13 dated May 7, 2007,
- iii. Withdrawal of Prefunding in EUR, GBP & CAD & associated charges Prefunding process in the CLS Segment as per Notification no: No CCIL/FX-CLS/08/20 dated June 25, 2008 & Notification no. CCIL/FX-CLS/09/09 dated June 15, 2009 Revision to Handling cost on Prefunding in CLS Segment
- iv. Window of Operations (Revised):
  - a. Withdrawal of Extended cut off time of 21:00 IST (S-1) for settlement next day for trade submission in CLS Segment,
  - b. Notification of revised funding cut off times,
- v. Process updation for Chapter V Trade Management,
- vi. Changes to Risk processes,
- vii. Differentiation between Shortage and Default,
- viii. Chapter X Third Party Terms and Conditions updated in terms of arrangement with new Settlement Bank,
- ix. Revision of fee structure,
- x. Minor changes to certain clauses of the said Regulations.

We append the changes to the Regulations of the CLS Segment as **Annexure**. The updated Regulations are available on our website ([www.ccilindia.com](http://www.ccilindia.com)) under Membership section.

We advise that the changes to the CLS Segment Regulations shall come into effect from December 15, 2015

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

**-Sd/-**  
**Managing Director**

**Annexure to Notification No. CCIL/FXS-CLS/15/69**

**THE CLEARING CORPORATION OF INDIA  
LIMITED**

**CHANGES TO REGULATIONS  
*(CLS SEGMENT)***

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## BACKGROUND FOR CLS REGULATIONS

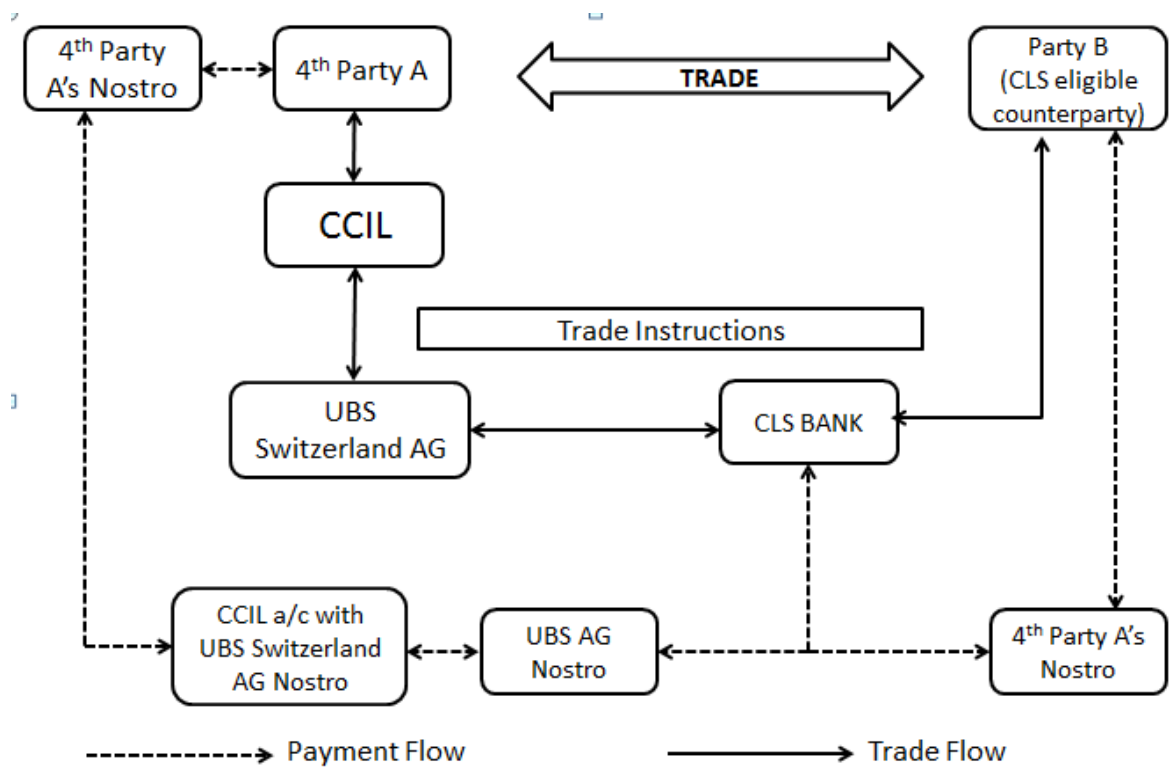
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The CLS Bank works on a tiered membership, with major international banks operating as direct “Settlement Members” [of CLS Bank](#). These Settlement Members can settle both their own deals, [and also through third party services](#) settle deals offered by their constituents (collectively “third parties”) [These third party arrangements may be provided by a Settlement member either through its own arrangements or through the use of Additional Submission Locations](#). The CLS Bank does not become directly involved in these arrangements.

~~of CLS. These Settlement Members can settle both their own deals as well as deals offered by their constituents (collectively “third parties”). These third party arrangements are between Settlement Members and their customers. The CLS Bank does not become directly involved in these arrangements.~~

Clearing Corporation of India Limited (“CCIL”) facilitates settlement of inter bank Cross Currency Deals through CLS Bank by availing the third party services of a Settlement member ~~Settlement Member, Royal Bank of Scotland.~~ [UBS AG through its Alternate Submission location UBS Switzerland AG hereinafter referred to as Settlement Bank](#). CCIL has the right to change the ~~Settlement Member~~ [Settlement Bank](#) at its own discretion subject to such contractual terms that CCIL may have agreed with the [Settlement Bank](#) ~~Settlement Member~~, after due notification to its members.

## CLS PROCESS FLOW (Annexure I of Glossary)



## CHAPTER I: INTRODUCTION

(1) These Regulations may be called The Clearing Corporation of India Ltd., Continuous Linked Settlement Segment Regulations, 2009 (As amended ~~in June 2014~~ in October 2015).

## CHAPTER II: DEFINITIONS

In these regulations the definitions contained hereunder shall prevail in the event of any conflict between the definitions contained herein and the definitions in the CCIL By Laws, and unless, the context otherwise requires:-

1. **“Acceptance for settlement”** and its cognate and agnate expressions shall mean the acceptance of a Member’s request by the CLS Bank to process a transaction and to assume responsibility for settlement of the same in accordance with CLS Bank Rules;

1.2. **“Alternate Submission Location”** means a location that has been authorized by the Settlement Member from which the CLS System may be accessed and

Instructions, Amend Instructions, and Rescind Instructions may be submitted to the CLS System.

2.3. "**Amend Instruction**" means an instruction submitted directly by Clearing Corporation on behalf of the Member or directly by the Member to the Settlement ~~Member~~-Bank to cancel and replace a previously submitted Instruction;

3.4. "**Approved Payment System**" means a payment system for effecting payments in and out of CLS Bank's account with a central bank;

4.5. "**Approved Payment System Closing Time**" means, in respect of an Eligible Currency, the time at which the Approved Payment System for that Eligible Currency is regularly scheduled to cease operations on a Banking Day;

5.6. "**Bank Guarantee**" is a contract in which the bank issues a guarantee on behalf of its clients in favor of Clearing Corporation committing itself to pay the sum mentioned therein if the client requesting such issue of bank guarantee does not perform or if any other form of default occurs;

6.7. "**Bank Regulatory Filter**" means the regulatory filter operated by CLS Services, as agent for CLS Bank, which electronically scans Instructions to identify Instructions which might be prohibited from Settlement or require blocking or notification to relevant authorities by economic sanctions legislation, regulations or executive orders in the United States;

7.8. "**Base Currency**" means the U.S. dollar, or such other Eligible Currency as Clearing Corporation may designate as the Base Currency;

8.9. "**BEI Code**" means, in respect of an entity, a "Business Entity Identifier", identified with such entity in the most recent BIC Directory issued by S.W.I.F.T.;

9.10. "**BIC**" means, in respect of an entity, a Bank Identifier Code identified with such entity in the most recent BIC Directory issued by S.W.I.F.T.;

10.11. "**Business Day**" means, for an Eligible Currency, a calendar date on which the applicable Approved Payment System in respect of such Eligible Currency is regularly scheduled to be operational;

~~11.12.~~ 11.12. "CL~~S~~ Bank" means CLS Bank International, an Edge corporation organized under the laws of the United States of America;

~~12.13.~~ 12.13. "CL~~S~~ Bank Documents " means the Rules in the Member Handbook between the Settlement Member, CLS Bank and CLS Services Ltd.;

~~13.14.~~ 13.14. "CL~~S~~ Bank Rules" means the Rules of the CLS System;

~~14.15.~~ 14.15. "CL~~S~~ Operational Day" : means a day during which settlement takes place from 7.00 to 12.00 CET;

~~15.16.~~ 15.16. "CL~~S~~ Server" refers to the fully integrated delivery channel and interface with the Settlement ~~Member Bank~~ used to transmit trade instructions to the Settlement ~~Member Bank~~ and to request, receive and process real time information on the processing of such trade instructions;

~~16.17.~~ 16.17. "CL~~S~~ Services Ltd " means CLS Services Ltd, a private limited company incorporated under the laws of England and Wales or any other entity fulfilling the same or a similar role to CLS Services Ltd in relation to CLS Bank;

~~17.18.~~ 17.18. "CL~~S~~ System" means all functions performed by CLS Bank in respect of any transactions, in accordance with the CLS Bank Documents;

~~18.19.~~ 18.19. "Collateral" means such collateral as may be specified from time to time by the Clearing Corporation;

~~(s) "Confidential information" means any information that Clearing Corporation obtains about the member in connection with providing the Digipass security services to the member (including any information about any account) other than information which is publicly available;~~

~~19.20.~~ 19.20. "Custodian" means a bank, financial institution or other entity that has the responsibility to manage or administer the custody or other safekeeping of assets for other

persons or institutions;

20:21. **“Cut-off Time ”** means the deadline for the various operations referred to in these Regulations, notified by Clearing Corporation; from time to time.

(v) ~~“Digipass security services” means the services which will enable the member to place member’s electronic signature upon member’s instructions;~~

(w) ~~“Digipass token” means the ten key package hardware which creates an electronic signature enabling Clearing Corporation to verify member’s identity or the identity of member’s authorised representative;~~

21:22. **“Direct Debit Mandate Agreement”** means the agreement between Clearing Corporation and the Member for issue of direct debit instruction to the Correspondent Bank of the Member to debit Member Bank account, for fulfilling settlement obligations of the member in the CLS Eligible Currencies;

22:23. **“Electronic Signature”** means data in electronic form which is attached to or logically associated with an instruction or other electronic data and which serves to authenticate such instruction or data;

23:24. **“Eligible CLS Currency”** means a currency designated in respect of which CLS Bank will offer Settlement services;

24:25. **“Eligible Government Securities”** means securities created, issued and guaranteed by the sovereign authority of a country, denominated in INR or any eligible CLS currency;

25:26. **“Forex Trades”** refers to all kinds of foreign exchange Trades for the buying and selling of one currency against another currency, and includes trades in CLS eligible currencies;

26:27. **“Foreign Exchange Swaps”**: An agreement to exchange stipulated amounts of one currency for another currency at one or more future dates;

27.28. **"Haircut"** with respect to an Eligible Currency means , the percentage increase of a short position or reduction of a long position and is based on the volatility of the historic foreign exchange movements in the applicable Eligible Currency, as determined by Clearing Corporation; from time to time;

28.29. **"Insolvency Event"** means, in relation to a person, the occurrence of one or more of the following in respect of that person:

(a) it is, or is deemed for the purposes of any law to be, unable to pay its debts as they fall due or to be insolvent, or admits its inability to pay its debts as they fall due; or

(b) it suspends making payments on all or any class of its debts or announces an intention to do so, or a moratorium is declared in respect of any of its indebtedness; or

(c) it, by reason of financial difficulties, begins negotiations with one or more of its creditors with a view to the readjustment or rescheduling of any of its indebtedness;

or

(d) any step (including petition, proposal or convening a meeting) is taken with a view to a composition, assignment or arrangement with any of its creditors; or

(e) a meeting of that person is convened for the purpose of considering any resolution for (or to petition for) its winding-up or for its administration or any such resolution is passed; or

(f) any person presents a petition for its winding-up or for its administration; or (g) an order for its winding-up or administration is made; or

(h) any other step (including petition, proposal or convening a meeting) is taken with a view to its rehabilitation, administration, custodianship, liquidation, winding-up or dissolution or any other insolvency proceedings involving it; or

(i) there occurs, in relation to it, any event anywhere which appears to correspond with any of those mentioned in paragraphs (a) to (h) above (inclusive),



29.30. **"Instruction"** means an instruction submitted by Clearing Corporation on behalf of the Member or directly by Member to the Settlement ~~Member~~ Bank directing the Settlement ~~Member~~ Bank to submit a corresponding Instruction to CLS Bank. Clearing Corporation of India / Member may also submit Instructions, Amend Instructions and/or Rescind Instructions to the Settlement ~~Member~~ Bank in respect of Transactions entered into by that Member;

30.31. **"Long Position"** means, in respect of a net position in an eligible currency that is ~~greater than zero, the amount by which such net position is greater than zero.~~ receivable by member

31.32. **"MT204"** means the message that is sent by an exchange or clearing house, or another financial institution to a SWIFT member or sub member, to instruct the receiver of the message to debit the account(s) of a third party specified in the message and to pay or credit the corresponding amount in favor of the Sender of the message;

32.33. **"MT300"** means the message exchanged by or on behalf of the institutions or corporates, party A and party B, which have agreed to a foreign exchange contract either to:

Confirm the details of a new contract between the parties; or

Confirm an exercised foreign currency option; or

Confirm the details of an amendment to a previously sent confirmation or

Cancel a previously sent confirmation;

33.34. **"MT396"** means the message sent by one financial institution to another financial institution to respond to an MT 395 Queries or MT 392 Request for Cancellation and other messages where no specific message type has been provided for the response;

34.35. **"Matched Instructions"** means two Instructions in which the information set forth in (36) below is matched in accordance with the parameters specified;

35.36. **"Matching Instructions"** Means CLS Services, as agent for the Submitting Members (and, if applicable, any relevant Designated Settlement ~~Member~~ Bank), shall match a pair of Instructions on the basis of the following information in each Instruction:

- the Identification Codes of the Submitting Members of the Instructions referencing the same Transaction;
- the Value Date;
- the amounts and identities (within the permitted tolerances specified in the Member Handbook) of buy and sell Eligible Currencies; and
- Identification Codes of the Transaction Counterparties.

Each pair of Instructions which match such criteria will be designated Matched Instructions.

An Instruction that has not been matched or becomes unmatched, or is not designated as a Settlement Eligible Instruction or is no longer designated as such, will remain in the CLS System for processing until the applicable Currency Close Deadline on Value Date for at least one Eligible Currency specified in the Instruction, at which time such Instruction will be rejected by the CLS System.

~~36.37.~~ \_\_\_\_\_”

**Member Handbook**” means the Member Handbook of CLS Bank;

~~37.38.~~ \_\_\_\_\_ **“Pay-In”** means a payment made by Member in accordance with the “final pay-in schedule”;

~~38.39.~~ \_\_\_\_\_ **“Pay-In Schedule”** means a schedule delivered by Clearing Corporation/ Settlement ~~Membe~~Bank indicating the currency amounts that Member must Pay-In on or before specified times on a given Settlement Day. A Pay- In Schedule may also include other information relevant to a Member, and shall include estimated pay-Outs to be made to a Member on such Settlement Day in each Eligible Currency assuming Settlement of all its Settlement Eligible Instructions with a Value Date equal to such Settlement Day;

~~39.40.~~ \_\_\_\_\_ **“Pay-Out”** means a payment made by Clearing Corporation to Member in accordance with the “pay-in schedule”.

~~(qq) “PIN code” means in relation to the Digipass security services, a four digit numeric code;~~

~~40.41.~~ \_\_\_\_\_ **“Rejection”** means a process through which Clearing Corporation would convey the inability of itself and / or Settlement ~~Member~~Bank and / or the CLS Bank to accede to a Member’s request for processing a Trade.

~~41.42.~~ 42. **"Rescind Instruction"** means an instruction submitted by Clearing Corporation on behalf of the Member or directly by the Member to the Settlement ~~Member~~Bank to cancel a previously submitted Instruction.

~~(tt) "Security details" means Digipass token(s), PIN code or other information established between Clearing Corporation which enables Clearing Corporation to verify member's identity or the identity of member's authorised representative;~~

~~42.43.~~ 43. **"Settlement Account"** means an account maintained with ~~the~~ a financial institution including with the Settlement Bank that acts as agent for Clearing Corporation to facilitate payments from or to Settlement ~~Member's~~Bank's / Member's Account in an Eligible Currency;

44. **"Settlement Bank"** means Settlement Member or its Alternate Submission Location through which the Settlement Member provides CLS third party services.

~~43.45.~~ 45. **"Settlement Day"** means, for an Eligible Currency, a calendar date on which the applicable Approved Payment System in respect of such Eligible Currency is regularly scheduled to be operational;

~~44.46.~~ 46. **"Settlement Disruption Event"** means any event which in the good faith or judgment of either the Settlement ~~Member-Bank~~ or CLS Bank makes it impossible, impracticable or inadvisable to proceed with the settlement of Instructions, as the case may be, including an event of force majeure;

~~45.47.~~ 47. **"Settlement Eligible Instructions"** means Matched Instructions which are designated as eligible for Settlement under the CLS Bank Rules

48. **"Settlement Member"** means an entity that has been approved as a Settlement Member of CLS Bank to be appointed by Clearing Corporation for providing CLS Third Party service;

~~46.49.~~ 46.49. "Settlement ~~Member~~ Bank Validation Process " means the validation process as agreed between the Settlement ~~Member~~ Bank and Clearing Corporation and any other validation process of the Settlement ~~Member's~~ Bank agents

~~47.50.~~ 47.50. "Short Position" means, in respect of a net position in an eligible currency that is less than zero, the amount by which such net position is less than zero; payable by the member.

~~48.51.~~ 48.51. "Software" means any computer programs provided by Clearing Corporation or its Settlement Bank to the member in order to ~~use the ID Key security services to access the CLS services;~~

~~49.52.~~ 49.52. "Submission Process " means the process by which a Member /Clearing Corporation of India may submit Instructions, Amend Instructions and Rescind Instructions and other data to Clearing Corporation /Settlement ~~Member~~ Bank in the mode prescribed;

~~50.53.~~ 50.53. "Transaction" means a single foreign exchange tom, spot or forward transaction, a single leg of a foreign exchange swap transaction, a single exercised foreign exchange option and any similar single foreign exchange transaction or any other type of foreign exchange transaction; provided that a Transaction may not be the result of an agreement to novate or other agreement to combine the legal obligations associated with two or more Transactions into a single Transaction;

~~51.54.~~ 51.54. "Value Date" means the date specified in an Instruction as the date on which such Instruction is scheduled for Settlement by CLS Bank;

~~52.55.~~ 52.55. "Web Interface Service " means the front – end interface provided by the Settlement ~~Member~~ Bank through Clearing Corporation containing the information set out in the Regulations.

~~53.56.~~ 53.56. "Working day" means the same as Business day;

## CHAPTER III : MEMBERSHIP

### 1 A. A. ELIGIBILITY CRITERIA

An Applicant seeking Membership of CLS segment of Clearing Corporation shall

1. be a member of Forex Segment of Clearing Corporation;
2. be a member of Securities Segment of Clearing Corporation;
3. have adequate risk management systems and policies in place and qualified personnel in its employment.

**ED. MEMBER ID**

3. Non-incorporation of Membership ID / SWIFT BIC code, as applicable, in any communication by the member shall absolve Clearing Corporation of liabilities or consequences, ~~if any, arising out of such~~ non-action by Clearing Corporation

**DE. DISCIPLINARY PROCEEDINGS, PENALTIES, SUSPENSION AND EXPULSION/TERMINATION :**

**3. MEMBERSHIP SUSPENSION**

3.7 In the event of suspension of a member, Clearing Corporation may:

- i) Declare all amounts owing by the suspended member under these Regulations to be immediately due and payable; and /or
- ii) By notice to members, declare that all or any of the obligations of the Clearing Corporation to provide the services to the suspended Member under these Regulations are suspended; and/or
- iii) By notice to members, terminate the services to the suspended Member with immediate effect subject to the terms of Chapter X (D); and/or
- iv) Without notice to the suspended Member, block any credit balances due to that member from the Clearing Corporation, pending the exercise of the rights of setoff under Chapter X (D)
- v) Exercise all or any rights under this Regulation.

3.8 Following the giving of notice by the Clearing Corporation to suspend the member in accordance with Regulation 3(1) above, all outstanding Instructions shall be cancelled by the Clearing Corporation to the extent that the Clearing Corporation/Settlement

~~Member– Bank,~~ is able to effect, and CLS Bank complies with, any corresponding Rescind Instructions submitted by the Settlement Bank.

#### **4. TERMINATION**

The Member may, at any given time, by giving at least 30 business days prior notice, terminate the membership to CLS segment of Clearing Corporation to that effect and the Clearing Corporation may, following the end of that 30 days period, exercise its rights under Regulation 3 (1) as if an event of the kind set out in Regulation 3(1) above had occurred. The member shall submit no additional Instructions to Clearing Corporation/Settlement ~~Member~~ Bank that specify a Value Date after the date the notice of voluntary termination becomes effective.

Upon acceptance of such notice, Clearing Corporation shall refund to the member collateral contributed by such member towards CLS operations as per Chapter IV (F) after adjusting all outstanding obligations of such member to Clearing Corporation.

These Regulations are subject to the CLS Documents (CLS Bank Rules and members Handbook between the Settlement ~~Member~~ Bank, CLS Bank and CLS Services Ltd).

### **CHAPTER IV : COLLATERAL**

#### **J. PREFUNDING IN CLS SEGMENT**

1. Member desirous of prefunding shall give in writing an advance notice to Clearing Corporation seeking prefunding in the CLS segment. Clearing Corporation shall consider such application for approval subject to the Member agreeing to arrange an amount equal to 100% of the additional limit sought by it in CLS eligible currencies. The CLS currencies eligible for prefunding shall be notified to members.
2. Upon obtaining approval, the member shall arrange to credit the Settlement Account of Clearing Corporation maintained with the ~~correspondent~~ Settlement Bank for an amount equal to 100% of the additional limit sought within the prescribed cut-off time as per process notified for the relevant settlement day. For

credits made prior to the settlement day, interest earned by Clearing Corporation on such credit, if any, net of costs, charges and taxes etc., shall be paid to the member.

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3. Provided that if it comes to the notice of Clearing Corporation that the amount referred to in para J(2) above has not been credited to its Settlement account with the ~~correspondent bank~~ Settlement Bank in the respective currency by the stipulated time or by the closure of RTGS in the relevant currency, Clearing Corporation shall be entitled, to withhold eligible counter value funds due to the concerned member to the extent of the prefunding sought. Withheld counter currency amount shall be paid to the Member upon receipt of the prefunded amount or counter value funds in CLS currencies. Members will pay to Clearing Corporation overdraft interest charges, if any, as notified by Clearing Corporation and no interest claim shall lie against Clearing Corporation on this account.

## **CHAPTER V : TRADE SETTLEMENT**

Clearing Corporation shall enable the settlement of eligible instructions of Members through CLS Bank by availing the third party services of a Settlement ~~Member of CLS Bank~~ Bank. Settlement of all trades shall be governed by rules of CLS Bank in this regard.

### **A) ELIGIBLE CLS CURRENCIES:**

1. Clearing Corporation shall attempt to settle through Settlement ~~Member~~ Bank, at CLS Bank all transactions submitted by members by way of instructions which are denominated solely in a CLS eligible Currency.

### **C) TIMINGS**

2. Clearing Corporation shall notify the time schedules for the reporting of Trades by Members to Clearing Corporation/Settlement ~~Member~~ Bank, as also for various other activities incidental to the Settlement process through CLS Bank;
4. The Members shall adhere to the time schedules prescribed by Clearing

Corporation. Clearing Corporation shall not be liable to the member in relation to any trade which does not settle following a failure on the part of the member to provide such information to the Clearing Corporation / Settlement ~~Member~~ Bank before the prescribed cut-off time.

## D) SUBMISSION AND PROCESSING OF INSTRUCTIONS

### 1. Methods of transmitting Instructions:

Members may use one of the following options to transmit CLS eligible instructions to be settled at CLS Bank:

- ~~a) Swift MT300 (T-copy or direct submission to the Settlement Member).~~
- ~~b) MT300/IFN 300 to Clearing Corporation for onward submission by Clearing Corporation to the Settlement ~~Member~~ Bank.~~
- ~~e) Any other mode of communication as may be notified by Clearing Corporation.~~

### 2. At the request of a Member and upon the Member complying with the terms and conditions as may be notified stipulated in Annexure I of ~~in~~ the Regulations, Clearing Corporation may permit the installation of Web Front-end by its Settlement ~~Member~~ Bank to facilitate ~~direct entry and~~ submission of instructions to the Settlement ~~Member~~ Bank.

~~a) a.~~ Prior to submission of trade confirmations, Members shall Notify Clearing Corporation in writing about the preferred mode of submission;

~~b) Clearing Corporation shall intimate Members of any change in the format and/or procedure for capture for submission of Transaction confirmations by giving prior notice of 15 days ;~~

~~c) Instructions submitted by Members are subject to terms and conditions of this chapter and other terms and conditions contained in these Regulations.~~

~~d) All Member Instructions, Amend Instructions and Rescind Instructions shall be irrevocable by the Member once received by the Settlement ~~Member~~ Bank.~~

### ~~33~~ Validation Of Instructions

3.1 The Settlement ~~Member~~ Bank, shall perform validation checks on the trades captured.



3.2 a The validation checks may include the following:

- i) the currencies are CLS eligible
- ii) the value dates are CLS eligible
- iii) the counterparties are CLS eligible and identified by CLS Bank
- iv) the CLS Instructions are formatted in accordance with CLS formatting guidelines
- v) the CLS Instructions have a unique trade reference

~~3.2 a. The validation checks may include the following:~~

- ~~i) there is no duplication of the Transactions reported~~
- ~~ii) there are no syntax errors~~
- ~~iii) there are no ineligible currencies~~
- ~~iv) both the counter parties to the trade are members/ third party / fourth party members of CLS Bank.~~
- ~~v) the Instruction meets cut off time stipulated by Clearing Corporation~~
- ~~vi) the Counterparty's Bank Identifier Code is valid~~
- ~~vii) the Settlement date for relevant currencies is a business day~~

~~b. As a result of the instruction, member's exposure limit is not exceeded.~~

eb. Member's Instruction is not prohibited from settlement at CLS Bank or requires blocking or notification to relevant authorities by economic sanctions, legislation, regulations or executive orders in the United States or otherwise.

cd. Any instruction that fails the above validations shall be rejected by the Settlement ~~Member/Bank~~/CLS System. Upon receipt of the advice from the Settlement Bank/CLS System, Clearing Corporation shall notify the same to the concerned Members.

## **E) MATCHING OF FOREX TRADES**

1. The CLS System shall attempt to match a pair of valid instructions based on the criteria which shall include identification/SWIFT code of submitting members, value date, amount and identities of eligible currencies purchased and sold, exchange rate, Trade date etc.
2. All the instructions which are not matched or are submitted beyond the cut -off time will be rejected by the CLS System and or its Settlement ~~Member~~Bank.

## F) AMENDMENT AND RESCIND OF INSTRUCTIONS

2. Upon receipt of a valid Member Amend Instruction in accordance with these Regulations, the Settlement ~~Member~~ Bank shall:
  - i) cancel the original corresponding Instruction by submitting a Rescind Instruction to the CLS Bank; and
  - ii) Submit a correspondingly revised Instruction to CLS Bank;
3. Upon receipt of a valid Member Rescind Instruction in accordance with these Regulations, Settlement ~~Member~~ Bank ~~shall~~ cancel the original corresponding Instruction by submitting a Rescind Instruction to CLS Bank.
4. The Clearing Corporation/Settlement ~~Member~~ Bank shall use its best endeavours to comply with Regulation F(2) and (3) above and shall have no liability where the Member submits a Amend Instruction or Rescind Instructions. However, the Clearing Corporation/Settlement ~~Member~~ Bank shall inform the Member of its inability to comply with Regulation F(2) & (3) above as soon as reasonably possible.
5. Clearing Corporation may also decide to cancel an instruction in exceptional circumstances (for e.g. ~~in the event of the recognition on day S-1 of a breach of limit~~ for trade acceptance on a position to be settled on day S) or following a cancellation by CLS Bank, on the basis of its own checks.

## G) EXPOSURE CONTROL

1. All trades reported by the members shall be subjected to exposure check process as described below. Only trades that pass through exposure check shall be submitted to CLS Bank for settlement
2. ~~Exposure check process shall occur on a settlement date wise basis.~~ Exposure check process would occur across two settlement dates current Settlement date (S )& next settlement date (S+1)
3. For arriving at the S & S+1 exposure on a member ~~for a settlement date~~, currency-wise net outstanding long and/or short positions of the member ~~shall be arrived at. The~~ ~~for the said settlement date shall be arrived at. The~~ aggregated resultant net outstanding currency-wise positions (combined across 2 settlement dates) shall be converted into equivalent base currency (US Dollar) by applying the applicable exchange rates ~~to be used for such~~

~~conversion.~~

Applicable Hair-cuts shall then be applied on such net positions in the base currency by inflating the short positions with the haircut factor and deflating long positions with the haircut factor. These amounts shall then be aggregated to arrive at a net value in terms of the base currency (US Dollar). If the net value is negative, the amount shall be construed as current exposure of the Clearing Corporation on the concerned member ~~member for the said settlement date.~~

4. For the purpose of exposure check, the exposure of the Clearing Corporation on the member shall be compared against the limit allocated to the member ~~for the respective settlement date.~~ If the exposure amount is found lower than the available limit; such trades shall be treated as having passed exposure check.
5. For the purpose of exposure check, the available limit for a member ~~for a settlement date~~ shall be taken as the aggregate of the base limit and the additional limit applicable for the member, ~~for the said for the said settlement date.~~
6. ~~In case of a rescind of any trade by a member, the exposure check process may not allow such rescind to be submitted to CLS bank if the submission of such rescind results in the exposure on the concerned member for the settlement date exceeding the limit allocated to the member for the said settlement date.~~

6. The trades pending acceptance for reason of exposure violation shall be checked for acceptance upon receipt of additional trades from the member ~~for the same settlement date.~~

7. The Trades which result in a breach of base limit for a member shall remain in queue till they are finally rejected at the cut off time Clearing Corporation retains the right to rescind the trade if the member fails to bring in such additional collateral (as may be necessary to increase that member's limit) within the specified Cut-Off time notified from time to time.

~~798.~~ For the exposure check process, early payout to a member as set out in Regulation L below in a currency shall be considered as increasing the exposure on the member by the Base Currency (US Dollar) equivalent, at the applicable

exchange rate, of the amount of the early payout as inflated by the haircut.

- ~~8. The Trades which result in a breach of Base limits for a member shall remain in queue till they are finally rejected at the cut off time Clearing Corporation retains the right to rescind the trade if the member fails to bring in such additional collateral (as may be necessary to increase that member's limit) within the specified Cut Off time notified from time to time.~~
9. The trades pending acceptance for reason of exposure violation shall be checked for acceptance upon receipt of additional trades from the member for the same settlement date.

## H) REJECTION OF TRADES

Trades received for settlement may be rejected under the following conditions:

1. Trades fail validation either by CLS Bank or Settlement ~~Member~~ [Bank](#).
2. If an instruction is refused following the Bank Regulatory Filter check carried out by CLS Bank.
3. If a trade reported by member has caused the Clearing Corporation's exposure on the member ~~for a settlement date~~ to exceed the limit allocated to the ~~at member member for the said settlement date (i.e. aggregate of base limit and additional limit for the day for which settlement process has started and only base limit for other days)~~ and the exposure on the member ~~for the said settlement date~~ has not been brought within the limit before the cut off time set by the Clearing Corporation ~~for the said settlement date~~.

## I) INFORMATION ON TRADE STATUS

Information on trade status shall be made available by Clearing Corporation / Settlement ~~Member~~ [Bank](#) through one or more of the following modes;

- The Web-based Front-end Interface.
- ~~• Swift MT396 status updates.~~
- ~~• Through Clearing Corporation's Report Browser or~~
- In any other mode / format as may be agreed upon by Clearing Corporation and the member.

## J) SETTLEMENT OBLIGATIONS OF MEMBER

2. Members shall receive from Clearing Corporation /Settlement Bank a provisional pay-in/pay-out schedule in respect of the relevant transactions for the next settlement date at the time notified by Clearing Corporation from time to time.
3. Members shall receive from Clearing Corporation/ Settlement ~~Member~~Bank a final pay- in/pay-out schedule confirming their net short or net long position in each CLS eligible currency in respect of the relevant transactions for the settlement date at the time notified by Clearing Corporation from time to time;

#### **K) PAY-IN (MEMBER'S NET SHORT POSITION)**

1. A Member having a net short position in a CLS currency shall:
  - (c) ~~Clearing Corporation may, upon a specific request received from a member, in the format prescribed and on confirmation of successful completion of the INR settlement by the member, transfer the USD funds receivable (in part or full) from the Forex Settlement Segment (USD INR segment) to the CLS segment for a given value date subject to the conditions as notified by Clearing Corporation. The member shall however continue to be liable to effect the payment for the balance, if any due towards settlement of the short position through the debit mandate or by effecting necessary payment instructions as above.~~

Settlement of all trade obligations by a member shall be deemed to have been completed by that member upon actual receipt of payment by Clearing Corporation into its ~~nostro account(s)~~ Settlement Account(s) on the settlement date within the cut-off time prescribed for the purpose;

3. If on any settlement Day, a member has paid such sums as are required to settle its net short position with respect to a Transaction, and that Transaction is not settled by the CLS Bank, Clearing Corporation shall, Subject to Chapter X – ~~(DE)~~ of these Regulations, return such sum to the member on the next Banking Day after receipt by Clearing Corporation from Settlement Member. Clearing Corporation shall not be responsible for such failure to settle by CLS Bank and no liability shall rest on Clearing Corporation on this account.

**Direct Debit arrangement:**

4. The direct debit arrangement shall be governed by the terms set out in the Direct Debit Mandate agreement between the Member and Clearing Corporation as notified by Clearing Corporation from time to time.

**L) PAY-OUT (MEMBER'S LONG POSITION)**

**Early Pay-out:**

- d. Clearing Corporation is under no obligation to make any payment in excess of the limit assigned to the Member, or otherwise to compensate the member for any loss, cost or liability it may suffer or incur as a result of any shortfall in the pay-outs received from Settlement ~~member.~~ Bank
- g. If Clearing Corporation makes out a early pay-out with respect to a Transaction before the settlement is termed final by CLS Bank, i.e., before the end of the CLS operational day at 12 noon CET
  - i) such pay-out made shall be liable to be cancelled by Clearing Corporation and shall be repaid by the member upon demand by the Settlement ~~Member~~ Bank in the event of failure to settle of these transactions at the CLS Bank.
  - ii) In the event the member has paid in the counter value short positions, Clearing Corporation shall return such sums to the member on the next Settlement day after receipt by Clearing Corporation from Settlement ~~Member~~ Bank.

**M) SETTLEMENT FAILURE AND DISRUPTION:**

3. If at any time Settlement of Instructions cannot be processed because an Approved Payment System is unexpectedly or temporarily not operational on a settlement date, Clearing Corporation shall as soon as practicable notify its Members upon receipt of such information from Settlement ~~Member~~ Bank. In such circumstances the Member's Instructions may be settled on that settlement day, if the Approved Payment System becomes re-operational or the settlement date of the original Instruction may be changed to the next business day that is a settlement date on which the Approved Payment System is operational. Where the settlement date of such Instruction is changed, upon notification of such changes by the Settlement ~~Member~~ Bank to Clearing Corporation, the Clearing Corporation shall as soon as reasonably practicable notify its Members of such change.

## O) REPORTS

### Final Net Position Report

3. Members shall be notified of the above reports by such mode and in such form as may be notified by Clearing Corporation from time to time.

Clearing Corporation shall not be liable for any loss, cost or damages suffered or incurred by the member as a result of:

c) A third party accessing or using any information or data of the member unless such access or use is a result of the failure of the Clearing Corporation / Settlement ~~Member~~ Bank to comply with its security requirements with respect to the Web Interface Service.

## P) FAILURE IN PAYMENT

If a Member fails to pay CLS eligible currencies on the settlement date or at the time as specified in the Window of Operations on the settlement date, it shall be considered an act of default by that Member. Such default shall be dealt with as provided for in the Chapter VII relating to "~~Defaults~~ Settlement Shortages and Defaults" in these Regulations.

## CHAPTER VI: BASE LIMITS, ADDITIONAL LIMITS

### A) LIMITS:

1. The limits for CLS eligible currencies will be denominated in USD as base currency

#### a) BASE CLS LIMIT:

It is a ~~settlement date wise~~ limit applied across two settlement dates that the Clearing Corporation shall set for a member, at the request of such member and on its providing necessary collaterals, for covering the Mark-to-Market and Haircut requirements for the trades of the concerned Member.

#### b) ADDITIONAL CLS LIMIT:

It is the limit that the Clearing Corporation, at its sole discretion, allows a Member to avail ~~for a settlement day for which the settlement process has started~~ for receiving early pay-outs and/or for covering additional haircut and mark to market requirements, if any ~~on the day of settlement~~. Such limits will be allowed by the Clearing Corporation for such part of a settlement day as necessary for ensuring

early pay-outs or for ensuring uninterrupted normal settlement. A Member shall avail such additional limits by providing necessary collateral for such time the limit is in place as required by Clearing Corporation.

## **CHAPTER VII—: DEFAULTS, SETTLEMENT SHORTAGE AND DEFAULTS**

### **A) A) 1. SETTLEMENT SHORTAGE**

Failure of a member to discharge its obligation to pay funds due from it at the time of settlement shall be treated as a Settlement Shortage.

### **DECLARATION OF DEFAULT**

~~A Member failing to deliver and/or pay funds due from it shall be treated as a defaulting member.~~

A member for the purpose of these regulations may be declared as a Defaulter in the event of:

- a) Failure to replenish its settlement shortage within the stipulated cut-off time.
- b) Any other circumstances as set out in the Bye Laws and Rules of Clearing Corporation.

### **B) DELIVERIES DUE TO THE DEFAULTING MEMBER**

Clearing Corporation shall have the right to withhold counter value of funds ~~the funds~~ due to the member in shortage in one or more of the ~~the~~ CLS eligible currencies for a value equal to the shortage amount ~~to a defaulting Member in the event of non-delivery by that Member of its settlement obligations due to Clearing Corporation.~~

### **C) FAILURE TO GIVE OR TAKE DELIVERY**

Clearing Corporation shall recover from such entity ~~the defaulting entity~~, the Lines of Credit and any other charges incurred for the overnight usage of such funds. Clearing Corporation shall have the right to block the collateral for value equivalent to the shortage ~~default~~ amount and/or withhold the net long positions due to the member until the funds are received.



## D) SHORTAGE HANDLING PROCEDURE

### 1. Default on CLS Pay-in obligation

~~a.~~—When a Member fails to deliver the required amount of its pay-in obligation to the credit of and in the account of Clearing Corporation before the closing times of Approved Payment System for the respective eligible currency on the settlement date, such failure shall be termed as ~~default~~ Settlement shortage and shall be settled as follows:

~~ba.~~ Subject to the other provisions of these Regulations, Clearing Corporation shall attempt to make good, the ~~shortfall~~ shortage that has arisen in its settlement account with its designated Settlement ~~Member~~ Bank, either by availing of a line of credit or overdraft facility available if any, or by borrowing from an Indian or overseas bank or by purchase of such currency against any other counter value currency funds available or any other source of funding as Clearing Corporation may deem fit. Such costs as may be incurred in this regard, shall be recovered from the ~~defaulting member~~ on whose account shortage has arisen;

~~eb.~~ The ~~defaulting~~ Member in shortage shall repay the shortage amount of its ~~default obligation~~ in the respective CLS eligible currency of ~~default~~ before the stipulated time or before the closure of the respective business hours of the concerned currencies, for this purpose, on the next business day (i.e., the business day immediately following the default date) to the credit of the specified account of Clearing Corporation with the Settlement ~~Member~~ Bank.

Provided that Clearing Corporation shall, in its absolute discretion, be authorized to amend the prescribed cut-off time by giving advance notice to all Members;

~~ec.~~ Clearing Corporation shall, pending fulfillment of settlement obligations by the ~~defaulting~~ Member in shortage, withhold the counter value of funds to be paid to the defaulting Member on the settlement date, or block the collateral deposited by such member.

~~d. e.~~— In the event of the ~~defaulting~~ Member in shortage being unable to pay the amount due to Clearing Corporation before the cut-off time prescribed in Sub-Regulation(~~eb~~) above, or the Clearing Corporation has reason to believe based on information available with it that the member in shortage will not be able to replenish the shortage upto the cut off time, Clearing Corporation may, declare the

member as defaulter .Upon such declaration Clearing Corporation shall at its discretion and without further notice to the defaulting Member utilize the amount debited to the Member's account or the counter value withheld including collateral to purchase the amount of default currency for settlement on cash/tom basis i.e., for same day/next settlement date to liquidate the arrangements that had been made by Clearing Corporation to meet the default. The foreign currency shall be bought at the prevailing inter-bank exchange rate that Clearing Corporation is able to obtain in the inter- bank forex market at the time of conversion. The exchange loss, if any, arising on account of such conversion, shall be borne by the defaulting Member. Clearing Corporation's decision in this regard shall be final and binding on the defaulting Member together with all costs and penalties relating thereto;

fe. The ~~defaulting~~ Member in shortage shall ~~repay~~ pay the interest, charges and penalties arising on account of the ~~default~~ settlement shortage before the stipulated time on the next business day (i.e., the business day immediately following the ~~default~~ date of settlement shortage)

#### **E) EFFECT OF SETTLEMENT SHORTAGE / DEFAULT DEFAULT OBLIGATIONS**

The process outlined below will be initiated upon the occurrence of a Settlement shortage/default:

- 1) The member in shortage shall be liable to make payment equivalent to the ~~shortfall~~ shortage within the cut-off time notified.
- 2) The member in shortage shall be liable to make payment equivalent to the interest, charges, penalties and other levies as per the notification issued by Clearing Corporation ~~from time to time~~ and within the cut-off time as notified by Clearing Corporation ~~from time to time~~;
- 3) The Collateral contribution of the Member **in shortage** shall be blocked pending settlement of its obligation
- 4) In the event of the member **in shortage** not making payment equivalent to the **shortage** together with interest, charges, penalties and other levies as described above, Clearing Corporation shall have the absolute right to **declare the member as defaulter** and appropriate the with-held currency ~~from delivery~~ or appropriate the collateral used to back the limit to the member in shortage towards fulfillment of the **shortage** / default obligation;

- 5) In the event that the corresponding funds recovered, in terms of sub-Regulation 4 above, are insufficient to cover the **shortage** / default obligation, Clearing Corporation shall be authorized to appropriate any other funds that may be due to that Member towards the recovery of its shortage / default obligation;
- 6) In the event of the member in **shortage defaulter** not making payment as described in ~~clause~~ **Regulation 4** above, Clearing Corporation shall have the right to rescind trades accepted for settlement through CLS bank. **The limit available to such Member shall be withdrawn / reduced** and Clearing Corporation shall have the right to refuse to accept for processing further trades from such member.

**CHAPTER VIII : RISK MANAGEMENT**

**A) SCOPE**

The provisions of this Chapter are outlines of the risk management practice of Clearing Corporation for its CLS Segment. Clearing Corporation shall have the sole discretion to review its practices relating to risk containment measures from time to time

Clearing Corporation shall cover the risk through a prescription of

1. Limit, for each Member as defined in Sub regulations A in Chapter VI
2. Applicable Currency specific Haircut as ~~defined in Sub regulations C in Chapter VI~~ and Collateral in the form of, cash and/or securities deposited by the members or bank guarantees arranged for by the members as cover for the limits granted to them.,

**B) PROCESS**

The base limit utilization of each member is applied across 2 settlement days. Utilisations would be arrived at based on the mark to market and haircut value on current settlement day (S) outstanding positions and ~~in respect of each of its~~ outstanding trades for the next settlement date (S+1) ~~shall be computed by calculating the mark to market loss, if any, and the hair cut value.~~ Clearing Corporation shall advise the net position to the members of their obligation in CLS eligible currencies in respect of the matched trades pertaining to such Member for the respective settlement date. A member shall be liable to maintain collateral in respect of such mark-to-market and hair cut value. Clearing Corporation shall retain the right to reject trades exceeding such limit.

The exposure check process has been described in Chapter V Regulation G.

### C) UNILATERAL RESCIND OF TRADES BY CLEARING CORPORATION

In the event the eExposures of the Clearing Corporation on the members for the trades for a settlement date which are already submitted to CLS Bank for settlement\_ exceed the limit applicable for the member ~~shall be compared, on a business day prior to the said settlement date, against the then available limits to such members. If the exposure of the Clearing Corporation on a member is found to exceed the limit applicable for such member,~~ the Clearing Corporation may, at its sole and absolute discretion, unilaterally rescind any or all trades of such member without any further reference to it, so as to bring the exposure within the limit. Any decision taken by the Clearing Corporation in this regard shall be final and binding on the member and the Clearing Corporation shall not be held responsible for any loss, damage, cost and charges that the member may suffer on account of such rescind of trade(s).

### D) VALUATION OF SECURITIES IN ~~SGF~~ CONTRIBUTED BY MEMBERS TOWARDS COLLATERAL

1.1 The securities contributed by Members to SGF shall be subject to a valuation exercises on each valuation day i.e. at the end of day and intra-day. Clearing Corporation may change the frequency of such valuation after due notification.

1.2 Clearing Corporation shall specify hair-cuts on the respective market value as per rates decided for eligible securities. Such haircut rates shall be notified by Clearing Corporation.

1.3 Members' contribution to SGF shall be subjected to a valuation exercise at every instance of deposits and / or withdrawals from its SGF at the end of the business day at the then prevailing mark to market prices.

~~1.4 Valuation for USD securities given by members as contribution to SGF shall be computed by the Clearing Corporation based on the valuation provided by the Custodian.~~

2) Clearing Corporation shall, in its absolute discretion, specify hair-cuts on the respective market value as per rates prescribed for eligible securities from time to time. USD/Rupee Reference Rate announced by RBI will be the basis for computing the USD equivalent of the securities (after application of appropriate haircut)

## CHAPTER IX : CHARGES

## B) BILLS FOR FEES AND CHARGES

2. Clearing Corporation shall, upon receipt of relevant information from its Settlement ~~Member~~Bank, notify its Members at monthly intervals, the fees and charges payable by that member for the immediately preceding month.
3. The Members shall verify their monthly bills and notify Clearing Corporation of discrepancies, if any, with all necessary details latest within two days from the date of notification of the relative bill. Upon receipt of such discrepancies, if any, the same shall be taken up by Clearing Corporation with its settlement ~~member~~ Bank and responses thereto shall be provided after receipt of necessary clarifications from the settlement ~~member~~ Bank.

## CHAPTER X THIRD PARTY TERMS AND CONDITIONS

The CLS services are rendered by Clearing Corporation by availing the third party services of a CLS Settlement ~~member~~ Bank and entering into an clearing agreement with the Settlement ~~Member~~ Bank.

Settlement of aggregated positions of all members will be carried out between the Clearing Corporation and the Settlement ~~Member~~ Bank.

The terms agreed to between Clearing Corporation and the Settlement ~~Member~~ Bank shall be in turn binding on the members by virtue of their becoming Members of CLS segment.

The specifics of the responsibilities of the members arising on account of the third party agreement are detailed in this Chapter.

### ~~A) Documentation.~~

~~The Member shall comply with all systems and procedural requirements of the Settlement Member as notified by Clearing Corporation from time to time and shall undertake to provide Clearing Corporation with any pertinent information on changes in its financial positions, and which shall include, but may not be restricted to the following documents and data:~~

- ~~1. its audited balance sheet and income statements as well as the notes to the financial statements detailing inter alia any off balance sheet transactions, within six months of the close of the financial year;~~
- ~~2. any changes in its share ownership structure within fifteen days of informing its regulatory authority;~~

- ~~3. the names of the corporate officers and the make up of the board of directors or the executive board as well as any changes to the same.~~
- ~~4. the names together with the specimen signatures of the officers authorized to give notices and instructions~~
- ~~5. any other information regarding its financial condition and operations to be submitted within a reasonable time following a request from Clearing Corporation~~
- ~~6. all information concerning the business and affairs which is relevant for the provision of services under these Regulations and in particular as may be required by any regulatory agency or authority or any persons appointed by such agency or authority for the purposes of any inquiry, inspection or investigation.~~

#### **BA) SETTLEMENT FAILURE AND DISRUPTION**

1. Neither party shall be liable for any loss, damage or failure to perform any obligation resulting from any of the following circumstances:
  - a) A legal enactment, decree or moratorium or any regulation, rule, practice or guideline of a public authority (de jure or de facto) (including, without limitation, exchange control or currency restrictions and taxes, levies or imposts applicable to any account balance (or part of it) attributable to the member), and Clearing Corporation need not perform any obligation which might be in breach of any of the foregoing; or
  - b) An intervention of a public/ regulatory authority (de jure or de facto), an act of nationalization, confiscation or expropriation, an act of war or violent or armed action or inaction: or
  - c) A failure of a payment or communications system, caused directly or indirectly by a power, equipment, software or systems failure;
  - d) A strike, a lock-out, a boycott or blockade by or amongst staff of Clearing Corporation/Settlement ~~Member/Bank/~~CLS Bank or any other person or
  - e) A disaster (whether natural or manmade).
2. Without in any way limiting, reducing or otherwise qualifying the obligations of the members under these Regulations, each of the parties shall take such reasonable steps which it considers in its sole opinion to be available to it to mitigate any of the adverse effects on the other party of any of those

**CB) LIMITATION OF LIABILITY OF CLEARING CORPORATION**

12. Member shall indemnify Clearing Corporation and shall keep Clearing Corporation indemnified and harmless from and against any and all losses, liabilities, costs, claims, actions, damages, expenses or demands which Clearing Corporation may suffer or incur or which may be made against Clearing Corporation by CLS Bank, CLS Services Ltd., another Member of CLS Bank, Settlement ~~Member Bank~~ or any other person arising out of or in connection with i) The Rules and Regulations ii) Bye laws iii) SWIFT CLS Third/fourth party service and/or iv) any undertakings, except to the extent such losses are finally adjudged to have directly resulted from Clearing Corporation's negligence, willful misrepresentation, willful misconduct or fraud. Where a Member submits Instructions to Clearing Corporation/Settlement ~~Member Bank~~, such member shall indemnify Clearing Corporation against any losses, liabilities, costs, claims, actions, damages, expenses or demands Clearing Corporation may suffer or incur in respect of such Member Instructions (and, if applicable, in the provision of the Services) arising from the involvement of that Member.

**DC) CONFIDENTIALITY:**

The Clearing Corporation shall ensure that the settlement Bank establishes and appropriate organizational Chinese walls to maintain the confidential information concerning the transactions which are the subject of member instructions in order to ensure that such confidential information is not improperly used in any trading capacity or otherwise by the Settlement Bank.

**ED) SET -OFF:**

In addition to any rights of set-off the Clearing Corporation or the Settlement ~~Member Bank or~~ may have, as a matter of law or otherwise, Clearing Corporation may (but is not obliged to), without prior notice to the member or any other person, set off any obligation due and owing to the Clearing Corporation (whether or not arising under any of Clearing Corporation's Regulations, whether or not matured , whether or not contingent and regardless of the currency, place of payment or booking office of the obligation) against any obligation owing by the Clearing Corporation to the

member. If the obligations are denominated in more than one currency, the Clearing Corporation may make such currency conversions as it considers reasonable in order to be able to exercise its right of set-off to the fullest extent possible. If an obligation is unascertained, the Clearing Corporation may in good faith estimate that obligation and set off in respect of the estimate, subject to the relevant party accounting to other when that obligation and set off in respect of the estimate, subject to the relevant party accounting to the other when that obligation is ascertained. Nothing in this provision will be deemed to create a charge or other security interest.

#### E) RESPONSIBILITY OF MEMBERS

1. Any information to which the Members gain access in connection with this provision of CLS Services are intended to remain confidential except to the extent required by any applicable law or regulation or required by any order or similar request of any court, regulatory authority, government body, self-regulatory organization or similar authority having or claiming authority over the Member.

Except as mentioned above in Regulation E(1), without the prior written permission of the Clearing Corporation, Member shall not disclose any confidential information in connection with CLS services provided by Clearing Corporation.

2. The Member shall control, monitor and restrict access of its authorized users and allow such access at its sole responsibility and liability. The Member shall promptly advise Clearing Corporation of any unauthorized usage and Clearing Corporation reserves the right to block Member's access if it suspects unauthorized access. Clearing Corporation shall inform the Member in case such action is taken.

3. The Members shall have a robust information security framework in compliance with the International standards that appropriately manages information security risks and ensures confidentiality and integrity of all information and non disruptive availability of systems.

4. The Member hereby acknowledges and consents to the following:



- a. The Member understands that the service it is receiving is provided by Clearing Corporation and not the Settlement Bank.
- b. The Member has no privity of contract with the Settlement Bank
- c. The Member is not a third party beneficiary of the Agreement between Clearing Corporation and Settlement Bank.
- d. The Member shall abide by and be bound by provisions, rules and agreements similar to those set forth in the Agreement between Clearing Corporation and Settlement Bank.
- e. The Member is bound by the cut-off times as notified
- f. The Member will abide by changes imposed by Settlement Bank upon Clearing Corporation as may be notified by Clearing Corporation from time to time.
- g. The Member will conduct testing and make such changes as Settlement Bank shall advise Clearing Corporation as necessary
- h. The Member has no legal recourse against Settlement Bank
- i. The Member will abide by and be bound by the Banking Secrecy and Confidentiality provisions as may be notified
- j. The Member shall make changes to CLS formatting as Clearing Corporation shall instruct.
- k. The Member acknowledges that the Settlement Bank has no duty to and is not liable to the Member for any reason whatsoever
- l. The Member acknowledges that the Settlement Bank has made no representation or warranty whatsoever to the Members.
- m. The Member consents to provide data to CLS and/or to any third party directly or indirectly involved in the settlement and /or supervision of instructions or CLS systems and to the related directories database in order to facilitate Instruction, matching and settlement.

#### F) COMPLIANCE WITH OTHER LAWS

The CLS Instructions submitted to the Settlement Bank by the Members will at all times comply with such money laundering regulations and banking secrecy laws as may be applicable. A list of such applicable laws and respective authorities shall be notified to the members from time to time. The Member shall indemnify Clearing Corporation for any direct loss or damages arising out of this failure of compliance with such applicable laws

and, if a penalty is imposed upon Clearing Corporation by the relevant authority, the Member shall reimburse Clearing Corporation promptly upon demand, the entire amount of such penalty, plus, upon explicit additional demand, the commercially reasonable interest on the penalty

## **ANNEXURE I**

~~1. Clearing Corporation agrees to make the Digipass security services available to the member subject to the following terms and conditions :~~

~~(a) the member will not, sell, rent, lease, sub lease, distribute, loan, modify, merge, translate, decompile or reverse compile the Digipass token (or any part of it);~~

~~(b) the member will treat the Digipass token as confidential and not make the same available to any third party and;~~

~~(c) the member will not do anything which would result in any infringement or unauthorised use of any intellectual property rights in the Digipass token.~~

~~1.2 The member will not acquire any title, ownership interest or intellectual property right in the Digipass token or any related document thereof.~~

### **~~2 Allocation /Assignment of digipass tokens~~**

~~The member shall give written request (email /letter) to CCIL giving details of individuals to whom digipass tokens should be assigned~~

~~The member shall give written request to CCIL in case of changes/modification/revocations to tokens assigned~~

### **~~3 Security~~**

~~3.1 The member shall take all reasonable precautions to prevent fraudulent or unauthorised use of digipass token~~

~~3.2 The member shall contact Clearing Corporation immediately by telephone (and shall confirm the telephone call by giving written notice within twenty four hours of such call) if the member has grounds to suspect any unauthorised use/access of digipass tokens.~~

#### **~~4 Legal Effect~~**

~~The member agrees that all instructions authenticated by a Digipass token shall have the same legal effect, validity and enforceability as if the instruction had been in writing signed by the member. Accordingly, the member shall agree not to challenge the legal effect, validity or enforceability of an instruction authenticated by a Digipass token.~~

#### **~~5 Liability and Indemnity~~**

~~5.1 Clearing Corporation shall not be liable for any loss incurred by the member in connection with the Digipass security services, including but not limited to any security breach, unless caused by Clearing Corporation's gross negligence or willful misconduct. In no circumstances shall Clearing Corporation be liable for any consequential, indirect, economic, special or punitive losses.~~

~~5.2 Clearing Corporation shall not be liable to the member for any loss whatsoever if Clearing Corporation does not act on the member's instructions or is prevented from providing the Digipass security services because of any cause that Clearing Corporation cannot reasonably control.~~

~~5.3 The member agrees to indemnify and keep indemnified Clearing Corporation from and against all and any loss for all acts of and omissions by the member or any of its authorised representatives under this agreement including, but not limited to any breach of the terms agreed herewith, any violation by the member of any applicable law, any failure to maintain the safety of its security details and any third party claim arising out of or relating to the use of, or failure to use, the Digipass security services unless caused by gross negligence or wilful misconduct by Clearing Corporation.~~

#### **~~6 Changes to Terms~~**

~~6.1 Any changes or additions to terms of digipass security services by CCIL's service provider will be binding on its members..Clearing Corporation will endeavour to provide the~~

~~member with at least 30 days' prior notice of any such change or addition, unless this is not reasonably practicable in the circumstances.~~

~~6.2 Amendments to reflect a change of law may take effect immediately. Other amendments will take effect on the date notified to the member.~~

## **~~7 Notices~~**

~~7.1 Any notice to the member may be given by electronic mail, or through the report browser provided by Clearing Corporation, or through the courier to the address as mentioned by the member in its membership application form.~~

~~7.2 If sent by electronic mail to the member, any notice will be deemed delivered when received in the relevant electronic mail box. If sent by courier, any notice will be deemed delivered on actual receipt.~~

## **~~8 Confidentiality and Use of Information~~**

~~8.1 Clearing Corporation shall not communicate confidential information provided by the member to third parties without member's consent unless required by law or for the purpose of the legal proceedings or for the purpose of credit rating.~~

~~8.2 Clearing Corporation shall use its reasonable endeavours to advise the other parties to whom Clearing Corporation disclose member's confidential information under this clause, of the confidential nature of such information.~~

## **~~9 Termination~~**

~~9.1 Clearing Corporation may terminate the Digipass Security Services or product at any time by giving a 3 business day notice to the member.~~

~~9.2 If the CLS membership of a member is terminated as per Chapter (H) (D) for the reasons mentioned therein or for any other reasons thereof, Clearing Corporation may revoke the Digipass security services immediately.~~