

**NOTIFICATION**

**This has been superseded by Notification No. CCIL/FX/USD-  
INR/15/01 dated 21-Jan-2015 on Changes to the Forex Settlement  
Regulations post Payment versus Payment mode of Settlement**

Date: 2<sup>nd</sup> July, 2014,

Notification No.: CCIL/FX/USD-INR/14/25

All Members  
Forex Segment

Dear Sir/Madam,

**Re: Changes to the Forex Settlement Regulations**

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

- i. Changes to the Modified Business Day logic
- ii. Changes to include STP trades received from FX-SWAP trading Platform.
- iii. Differentiation between Shortage and Default.
- iv. Provision for INR Shortage Allocation and;
- v. Minor changes to certain clauses of the said Regulations.

We append the changes to the Regulations of the Forex Settlement 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 Forex Settlement Segment Regulations shall come into effect as on **2<sup>nd</sup> August, 2014**.

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

Sd/-

**Managing Director**

**Annexure to Notification No.CCIL/FX/USD-INR/14/25**

**THE CLEARING CORPORATION OF INDIA  
LIMITED**

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

## **CHAPTER I: INTRODUCTION**

The Regulations framed hereunder shall be called "The Clearing Corporation of India Ltd. (Forex Settlement Segment) Regulations, 2009". *(As amended in June 2014)*

## **CHAPTER II: MEMBERSHIP**

### **A. APPLICATION FOR MEMBERSHIP**

3. The application form shall be submitted along with the fees prescribed therefor.

### **B. PROCESSING OF APPLICATIONS**

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

Upon receipt of ~~approval for Membership~~ the said advice, the applicant shall complete the other formalities stipulated in ~~this~~ these Regulations and execute necessary documents in such form and manner as may be prescribed by Clearing Corporation from time to time. ~~Such execution~~ The necessary documents shall be ~~carried out~~ executed by duly authorised signatory(ies) of the applicant. ~~having obtained necessary internal approvals for the purpose.~~

### **C. MEMBER ID**

1. ~~Every~~ On the applicant being admitted as a Member of Clearing Corporation it shall be allotted a unique Member ID; ~~which shall be unique to the Member;~~
2. Every Member shall incorporate the unique Member ID in all Trades reported to Clearing Corporation for Clearing and Settlement;

3. Every Member shall incorporate the unique Member ID in all its communications to Clearing Corporation;
4. Non-incorporation of the unique Member ID by a Member in any Trade or communication by a Member shall absolve Clearing Corporation of all liabilities or consequences, if any, arising out of such inaction by ~~Clearing Corporation the Member~~;
5. Every Member shall ensure that incorporation and/or use of its unique Member ID is restricted to authorised personnel only and such Member shall be responsible for any loss or consequences that may arise on account of unauthorized and/or wrongful use of unique Member ID ~~or for placing any wrongful order~~;
6. Clearing Corporation and/or any of its officials shall not be in any way responsible for any loss or consequences that may arise on account of unauthorized and/or wrongful use of unique Member ID.

#### **D. Suspension rights of Clearing Corporation**

- a) Clearing Corporation may suspend its Members as specified in the Regulations.
- b) Managing Director of Clearing Corporation or a Committee of not less than two officials nominated by the Managing Director (MD) may disable a Member from accessing the facilities of Clearing Corporation if in the opinion of the MD or the Committee of officials circumstances exist warranting disablement pending suspension. Provided that, within 4 hours after such disablement, the MD or the Committee of officials as the case may be shall record in writing the reasons for such disablement provided however that the same shall be reported at the next Board or the Committee meeting whichever is earlier.
- c) After such disablement, Clearing Corporation shall communicate the information to other Members.

### **CHAPTER III: SETTLEMENT GUARANTEE FUND**

#### **A. PURPOSE**

1. Clearing Corporation shall maintain a dedicated Settlement Guarantee Fund (hereinafter referred to as "SGF") in respect of the Forex Settlement Segment with a view to meeting the risk arising out of any shortage/default by its Members in discharging the obligations of an individual Member either for itself or for any other Member.

2. SGF may be utilized for such purposes as provided in the Bye- Laws, Rules and Regulations including towards meeting default obligations/ shortage/ 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 may be formed with contributions from Members in the form of cash or US and/or Indian Government Securities or Treasury Bills ( hereinafter referred to as Government Securities in these Regulations) as may be decided by Clearing Corporation from time to time. The cash contributions referred to above may be in the form of either in INR or USD or both as may be decided by Clearing Corporation from time to time;
2. Clearing Corporation may require every Member to contribute a minimum specified percentage of SGF in the form of cash as may be notified by Clearing Corporation from time to time. The proportion of cash to securities to be maintained by the Member may be changed ~~at the sole discretion of~~ by Clearing Corporation from time to time after due notification.
3. Clearing Corporation may ~~at the sole discretion~~ after due notification require Members to deposit their entire contribution(s) to SGF in the form of cash in US dollar.
4. Clearing Corporation shall be authorized to invest the cash contribution received from Members in Government Securities ~~and in such other instrument and in bank deposits or such other instruments as may be decided from time to time~~ in accordance with the Investment Policy of the Clearing Corporation.
5. 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;
6. Clearing Corporation may ~~at the sole discretion~~ specify the type of security including the maximum contribution to be made in a single security towards the SGF.
7. Upon its admission, a Member's ~~contribution shall, upon admission, be required to contribute~~ to SGF shall be a condition precedent for Clearing Corporation to accept Trades from the Member and/or on its behalf for Clearing and Settlement;

8. A Member's contribution to SGF shall adjustable be available to cover its margin obligations towards Exposure Limit, Mark to Market Margin and/or any other margin that may be prescribed in Chapter VII relating to "Risk Management" in these Regulations;
9. A Member shall at all times ensure that its contributions to SGF are adequate to cover Exposure Limits including any additional margin requirements therefor on the outstanding Trades accepted by Clearing Corporation on behalf of that Member as per Chapter 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 rate receivable on the respective securities, net of costs and taxes if any, and any other charges levied by the custodian.
2. Members shall not normally be entitled to receive any interest on cash amounts contributed to SGF except as provided in paragraphs (3) and (4) below;
3. In the event of Clearing Corporation requiring its Members to make their entire contributions to SGF in the form of cash in USD, Clearing Corporation shall invest, such cash contribution either directly and/or through its Custodian ~~such cash~~ in USD Deposits/US Government Securities/Treasury Bills and distribute earnings arising out of such investments (excluding revaluation gains/loss, net of costs / taxes if any, on the basis of average daily cash balances to the Members at half-yearly rests);
4. In the event of Clearing Corporation requiring its Members to make their entire contribution to SGF in the form of cash in INR, Clearing Corporation may 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 the rate as may be notified by Clearing Corporation from time to time.

**D) ADMINISTRATION**

1. Clearing Corporation shall have absolute ~~discretion~~/control over the administration, manner and mode of investment of cash margins deposited by Members including appointment of a Custodian for management and/or deployment of such contributions;

2. The contributions made by the Members to SGF in the form of US Government securities / Treasury Bills and/ or the investments made by Clearing Corporation on behalf of the Members in such securities shall be held with the Custodian appointed by Clearing Corporation;
3. In the event of Clearing Corporation appointing a Custodian to manage Member contributions denominated in USD to SGF, all terms and conditions governing such arrangement with the Custodian shall automatically be binding on its Members;
4. Clearing Corporation shall have the absolute right to utilize any of the securities held by it on behalf of Members with the Custodian to meet shortages/defaults 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 detailed in Chapter VI (3) of these Regulations; as may be determined as appropriate and at the sole discretion of Clearing Corporation.
5. Clearing Corporation shall also be authorised to pledge, hypothecate, create any charge and/or encumbrance over securities deposited by Members towards their contribution to SGF for availing line of credit / repo or any other facilities both in INR and USD from RBI, Banks, Institutions and/or any other entities either in India and/or in the United States of America, for the purpose of clearing and settlement of transactions accepted by it;
6. Clearing Corporation shall have 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 and Clearing Corporation shall be entitled to utilize the contributions or the proceeds arising out of the contribution, if in the form of securities, to appropriate towards recovery of losses, charges, penalties or any other amount due to Clearing Corporation and any default obligations/shortages/ deficiencies and/or any other dues of such Member arising out of normal Clearing and Settlement operations undertaken by Clearing Corporation as part of its normal day to day operations;

#### **F) RECEIPTS AND DELIVERIES OF SECURITIES**

7. Members shall be entitled to substitute securities deposited as contribution to SGF by giving prior notice as per the workflow process notified by Clearing Corporation from time

to time to the Clearing Corporation in the format prescribed for the purpose. For USD securities, the notice period shall be as stipulated by the Custodian.

Provided that ~~if~~ such notice for substitution shall not be valid if it is received in respect of either of the securities falling into shut period and rendering such substitution impossible ~~then such notice shall be considered to be invalid;~~

#### **G) CASH CONTRIBUTION TO SGF – PAYMENTS AND RECEIPTS**

5. Members shall be entitled to receive credit for their cash deposits into SGF upon receipt of confirmation from RBI / Settlement Bank / Custodian. In the case of INR contributions, this shall mean credit into the Current account of Clearing Corporation. In the case of USD contributions, this shall mean receipt of requisite funds into the accounts of Clearing Corporation with the Settlement Bank / Custodian. Such credit in the Member's cash deposit into SGF shall be reckoned from the start of the business day following the date of receipt of deposit intimation from RBI / Settlement Bank / Custodian;
6. Withdrawal of cash contributions by Members shall be reduced from and reflected in their SGF balances as and when instructions to transfer such amounts to the Members are issued to RBI and/or Custodian as applicable by Clearing Corporation.

#### **I) REDEMPTION OF SECURITIES CONTRIBUTED TO SGF**

2. Redemption proceeds received by Clearing Corporation shall be treated as additional cash contribution to SGF and accordingly credited to the Members account.

### **CHAPTER IV: TRADE SETTLEMENT**

#### **A) KINDS OF TRADES**

1. Clearing Corporation shall notify the kind of forex Trades that it undertakes for Clearing and settlement by giving an advance notice of ~~fourteen business~~ 30 days;
2. The kinds of forex Trades that Clearing Corporation shall undertake for Clearing and settlement shall be based on its tenor and currency;
3. Clearing Corporation shall undertake Clearing and Settlement of inter-bank INR/USD Cash, Tom, Spot and Forward Trades as per details hereunder:
4. The tenor based forex Trades shall be:



**a) Cash Trades:**

Forex Trades where the value date for settlement is the same as the relative trade date. ~~For example: For a deal done on 5th February, 2004 which is a Thursday, the value date for settlement also will be 5th February, 2004, Thursday.~~

**b) Tom Trades:**

Forex Trades where the value date for settlement is the next business day from the relative trade date. ~~For example: For a deal done on 4th February, 2004 which is a Wednesday, the value date for settlement will be 5th February, 2004, Thursday.~~

**c) Spot Trades**

Forex Trades where the value date for settlement is the second business day from the relative Trade date. ~~For example, for a deal done on 3rd February, 2004 which is a Tuesday the value date for settlement will be 5th February, 2004, Thursday~~

**d) Forward Trades**

Forex Trades where the value date for the settlement falls beyond the Spot date. ~~For example for a deal done on 3rd February, 2004 which is a Tuesday, if the value date for settlement is any date beyond 5th February, 2004, such a Trade shall be treated as a forward Trade~~

The Trades shall include fx-swaps. ~~where one or both legs are forward~~ Provided that in the case of swap Trades, i) Members shall ensure that both legs of the Trade are reported separately; ii) Members shall ensure to include a SWAP identifier as notified by Clearing Corporation to link both legs. A SWAP identifier is a 16 digit alpha numeric field used in the IFN300 to identify the SWAP trades.

5. The currency based forex Trades shall be:

**a) USD/INR Forex Trades**

Forex Trades where the counter-parties Trade in USD and INR, that is where a counter-party buys a certain amount of USD against INR or vice versa at a specified exchange rate agreed to between the parties to the deal for a value date;

6. The Clearing Corporation shall conduct one settlement per value date ~~of Mumbai for a particular currency pair~~. The Clearing Corporation may not conduct settlement on Saturdays/Sundays and/or any other week day which is not a business day either at Mumbai or New York, USA.

For example 26<sup>th</sup> January is a holiday in Mumbai but not in New York and 4<sup>th</sup> July is a holiday in New York but not in Mumbai. However, on both these days USD/INR settlement may not be undertaken by the Clearing Corporation under these Regulations.

## **B) TIMINGS**

2. The time schedule prescribed by Clearing Corporation in terms of sub Regulation (1) above is contained in Annexure (I) and (VI);
3. Clearing Corporation, ~~may, in its absolute discretion, be authorized~~ shall have the authority to alter, modify, add, and delete time schedules for the various activities prescribed in sub-Regulation (1) above, and notify the Members of such changes at least 7 30 days before such changes shall take effect;

## **C) CAPTURE OF TRADES**

### **I) Deals received directly from Members:**

1. The counter-parties to a Trade shall report their deals in IFN300 format as contained in Annexure II (or any other format for trade confirmations prescribed and notified for trade confirmation) ~~Member of INFINET~~;

### **II) Deals received from Forex Dealing System and FX-SWAP Dealing System:**

1. The Trades done on Forex Dealing System (FX Clear) and FX-SWAP Dealing System of Clearcorp shall be received and captured directly by Clearing Corporation's Forex Segment for settlement of relative trades of Members who have exercised the option. The Trades shall be sorted, stored and processed settlement date-wise in the same form and manner as prescribed for other forex trades received directly from Members;
2. Amendments/Cancellations to deal particulars received from FX Clear/FX-SWAP shall be governed by the rules and regulations prescribed for deals reported directly by Members;

## **D) VALIDATIONS**

### **I) Deals received directly from Members:**

2. The validation checks shall be run to ensure that:
  - a) Both the parties to the Trades are Members of Clearing Corporation;

- b) no information, as required in the format prescribed, is missing from the Trades reported;
  - c) there is no duplication of Trades reported.
  - d) Or for any other factor material to the processing of such trades as may be notified from time to time.
3. If any error is detected during the business validation checks Clearing Corporation shall advise such rejection in its Deal Status Report to that Member;
4. The Member shall be responsible for ensuring that amendments/cancellations to a Trade, if any, are reported to Clearing Corporation in the format specified within the stipulated cut-off time as notified by Clearing Corporation;
- 5.
- i) Amendments/Cancellations shall not be accepted for trades already accepted for settlement.
  - ii) Amendments/Cancellations, if any, reported by the Members, after the original Trade has been matched but not yet taken up for exposure check/or pending exposure, shall be acted upon only if the amended/cancelled confirmation is received from both the parties to the Trade within the time limit prescribed for the purpose of reporting of Trades for the settlement date, failing which Clearing Corporation shall proceed with the original matched Trade.
  - iii) Amendments/Cancellations, if any, reported by the Members for all the unmatched deals shall be acted upon, provided they are received within the time limit prescribed.

**II) Deals received from FX Clear and FX-SWAP Dealing System:**

- 1. Clearing Corporation shall treat all trades received from FX Clear and FX-SWAP Dealing System as valid trades;
- 2. The Member shall be responsible for ensuring that amendments/cancellations to a Trade, if any, are reported to Clearing Corporation in the IFN 300 format specified;
- 3. The Member shall ensure that such amended/Cancelled Trades, as per sub-Regulation (2) above are duly reported to Clearing Corporation within the time limit prescribed for the purpose;

4. i) Amendments/Cancellations shall not be accepted for trades already accepted for settlement.
- ii) Amendments/Cancellations, if any, reported by the Members, after the original Trade has been matched but not yet taken up for exposure check/or pending exposure, shall be acted upon only if the amended/cancelled confirmation is received from both the parties to the Trade within the time limit prescribed for the purpose of reporting of Trades for the settlement date, failing which Clearing Corporation shall proceed with the original matched Trade.
- iii) Amendments/Cancellations, if any, reported by the Members for all the unmatched deals shall be acted upon, provided they are received within the time limit prescribed.

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

1. Clearing Corporation shall match all ~~valid captured~~ eligible Trades to arrive at the net position of a Member.  
Clearing Corporation shall match fields containing Membership ID, counterparty ID, exchange rate, Trade date, value date, foreign currency and rupee amounts;  
~~The settlement instructions shall be as obtaining in Clearing Corporation's Member Master Database.~~
2. Clearing Corporation shall treat Trades as unmatched under the following conditions:
  - a. If the fields indicated in sub-regulation(1) above do not match with the corresponding details of Trades as reported by the counter-party to such Trades;
  - b. If deal confirmations from both parties to the Trade have not been received within the time limits prescribed for the purpose;
3. Clearing Corporation shall furnish each Member with a Trade Deal Status Report in the format prescribed in Annexure IV.

#### **F) EXPOSURE CONTROL**

1. Clearing Corporation shall arrive at the net position of each trading Member and thereafter check the matched trades for ensuring that the Trades are within the exposure limits;

2. The Trades which result in a breach of exposure limits of a Member shall remain in queue for exposure check and be eligible for consideration ~~on a FIFO basis in terms of Chapter VII (B) (2)~~. Exposure validation for all the Trades in the queue shall be performed at every batch as per Annexure VI or on a continuous and ongoing basis as may be decided from time to time and notified to the Members.

**G) REJECTION OF TRADES/DEALS**

**I) Deals received directly from Members:**

1. Clearing Corporation shall, ~~at the prescribed cut-off time as set out in Annexure I,~~ reject the following Trades/deals reported to it by Members for settlement.
  - a) Trades ~~reported by a Member~~ which fails the risk exposure check at the cut-off time as set out in Annexure I. Corresponding deals received from the counterparty shall also stand rejected;
  - b) When Trades deals reported by a Member are invalid, i.e., when there is any inaccuracy in the reporting of the Trades deal viz., incorrect Membership ID etc;
  - c) ~~When the matching confirmation from the counterparty has not been received before~~ If the deals remain unmatched till the cut-off time as set out in Annexure I.
  - d) Amendments/Cancellations relating to a Trade, have been received by Clearing Corporation from the Member after the cut-off time as set out in Annexure I e.g., Trade for value T+2 received after 12.30 pm on T+1;
  - e) Amendments/Cancellations relating to a trade already accepted for settlement.
  - f) In the event of a sudden occurrence when Clearing and Settlement operations for the particular settlement date have been temporarily suspended.
  - g) Any other reason rendering the processing of such trades impossible. The concerned Members shall be duly advised by Clearing Corporation of such rejection.
2. ~~In the event a Trade is rejected by Clearing Corporation for any of the reason stated above, the Trade received from the counterparty shall also stand rejected.~~

## II) Deals received from FX Clear and FX-SWAP Dealing System:

1. Clearing Corporation shall, ~~after the prescribed cut-off time as set out in Annexure I,~~ reject the following Trades/deals received from FX Clear and FX-SWAP Dealing System for settlement:
  - a) Trades ~~received from FX Clear and FX SWAP Dealing System~~ which fail the risk exposure check at the cut-off time as set out in Annexure I. Corresponding deals received from the counterparty shall also stand rejected;
  - b) Amendments/Cancellations relating to the trade have been received by Clearing Corporation from the Member after the cut-off time as set out in Annexure I;
  - c) Amendments/Cancellations relating to a trade already accepted for settlement.
  - d) ~~When matching confirmation from the counterparty has not been received before~~ If the deals remain unmatched till the cut-off time as set out in Annexure I.
  - e) In the event of a sudden occurrence when Clearing and Settlement operations for the particular settlement date have been temporarily suspended.
  - f) Any other reason rendering the processing of such trades impossible. The concerned Members shall be duly advised by Clearing Corporation of such rejection.
- 2) ~~In the event a Trade is rejected by Clearing Corporation for any of the reason stated above, the Trade received from the counterparty shall also stand rejected.~~

## I) SETTLEMENT OBLIGATIONS OF MEMBERS

### 2. (a) Member having a net payable position in USD shall;

- i. have executed a Direct Debit Mandate (MT 204/MT-202R) to enable Clearing Corporation to raise a direct debit with the Member's Correspondent Bank in USD to collect the payable position in USD; or
- ii. ~~shall~~ send the necessary payment instructions to its correspondent bank for its payment obligations in USD and shall confirm to Clearing Corporation by forwarding a copy of the SWIFT acknowledgement of the message sent.

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) on the settlement date within the cut-off time specified for the purpose;

**(b) Direct Debit Arrangement**

- ~~iii. If the Member's nostro account In the event the correspondent bank of the member does not honour the mandate, the Member bank shall be liable for further action in terms of Chapter VI (D)(1) of these regulations. is in breach of its obligations under the Direct Debit Mandate, the Member shall pay Clearing Corporation the relevant amount on that banking day~~
- iv. The direct debit arrangement shall be governed by the terms set out in the Direct Debit Mandate agreement between the Member and Clearing Corporation.
- 3. For the INR leg, Members shall give to the RBI a mandate for operating on their Current Accounts maintained with RBI for the transactions arising out of the Clearing and Settlement services undertaken by Clearing Corporation;
- 4. A Member shall ensure that there are adequate funds in its Nostro account with the correspondent bank /~~Current~~ Account maintained with RBI to meet payment obligations in the respective currency on value date in terms of its Final Net position report as per para I (1) above prior to the cut-off time specified for the purpose.
- ~~5. For USD payment obligations, the Member shall ensure availability of sufficient funds on value date in terms of its Final Net Position report as per para I (1) above prior to the cut-off time specified for the purpose.~~
- 5. Every Member shall have authorized RBI to permit Clearing Corporation to debit/appropriate/withhold INR funds lying in their Accounts maintained with RBI for shortage/default handling, should such steps become necessary in terms of the procedure outlined in Chapter VI relating to Shortage/"Defaults" of these Regulations.

**J) SETTLEMENT PROCESS**

- 1. Settlement of all matched cash, tom, spot and forward inter-bank USD- INR forex Trades shall be effected through a process of netting by novation. Such settlement will be on a multilateral netting basis. The net obligation shall be final and irrevocable when determined.

2. If two Members enter into a forex transaction governed by Bye-Laws, Rules and Regulations and the transaction is novated by Clearing Corporation, then each such Member's currency obligation shall be deemed to have been individually cancelled and simultaneously replaced by a new obligation in the same currency as against Clearing Corporation for the same value date.

The amounts of such currency that shall otherwise have been deliverable or receivable by each Member to or from every other counter-party Member on such value date shall be netted and replaced by a contract for the net deliverable or receivable to or from Clearing Corporation. The settlement shall be final and irrevocable when the net obligations are determined.

3. Novation shall take effect as and when Clearing Corporation accepts the trade for settlement ~~which may be Trade date for Cash, Tom and Spot trades and on S-2 day for forward trades.~~

## K) MODES OF PAYMENT

Clearing Corporation may from time to time prescribe different modes of payments and the conditions which such payments may be subject to. Without prejudice to the generality of the above, the modes of payments for all Trades are specified under:

- a) USD payments shall be effected through the nostro account maintained by the Member with its correspondent bank. Members shall designate a single nostro account for the purpose;

Members shall notify any change in settlement instructions at least 7 days before such changes take effect;

However, a Member, who is also a Member of CLS segment of Clearing Corporation, may instruct Clearing Corporation to transfer the USD payout due to the Member of the CLS segment (in part or in full) instead of crediting the same in its nostro account maintained by it with the Correspondent Bank to meet its USD pay-in obligation and such transfer shall be treated as settlement of such obligation by Clearing Corporation of USD payout to the Member in the Forex Settlement segment. Balance, if any, due to such Member in the Forex settlement segment (USD-INR) shall be effected through the nostro account maintained by the Member with its correspondent bank.



- b) INR payments shall be effected through current accounts maintained by the Members with RBI. The RBI Regulations relating to current accounts shall form part of any settlement process so prescribed.

## L) REPORTS

Clearing Corporation shall generate and provide to each Member the following Reports as per schedule in Annexure X:

### 1. **Trade Deal Status Report**

Trade Deal Status Report shall include details of all Trades received from a Member and the status thereof as at the time of report, i.e., whether valid, matched, pending match, accepted/rejected, pending exposure check or otherwise. This report will be generated after every batch as per Annexure VI except in the Netting Batch. In case of online exposure check, Members will be able to view the position through Clearing Corporation's Report Browser and will be able to view their reports in the pre-netting batch.

### 2. **Provisional Net Position Report**

This Report shall contain details of the provisional net position of the Member in USD and INR on S-1 day covering trades accepted for settlement upto the cut-off time on S-1 day. For avoidance of any doubt this report shall be considered only as a matter of guidance. The report will be generated after netting batch of S-1 day.

### 3. **Final Net Position Report**

This Report:

- a. Shall contain details of the net position of the Member in USD and INR for a settlement date and shall include all Trades accepted for settlement for arriving at such position;
- b. Shall be deemed to be a Member's confirmations of the different Trades for which funds are to be received from and/or paid to the Member on the settlement date;
- c. Shall be deemed to be a Member's instructions to RBI for effecting settlement of these Trades in its current account maintained with RBI.
- d. Shall be deemed to constitute instructions to the Member for issuance of necessary payment instructions to its Correspondent Bank for ensuring settlement on the value date.

The above reports may be in such formats as may be prescribed by Clearing Corporation from time to time. The report will be generated after the netting batch of S day.

#### **M) FAILURE IN PAYMENT**

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

### **CHAPTER V: NET DEBIT CAP, EXPOSURE LIMIT AND MARGINS**

#### **A) NET DEBIT CAP**

- i) Clearing Corporation shall set NDC depending on the ratings/gradings assigned to the Members on the basis of certain financial parameters including Net Worth, asset quality etc. as decided worked out by Clearing Corporation from time to time. Clearing Corporation may take the assistance of any reputed Rating Agency for arriving at such ratings/gradings and the decision of Clearing Corporation in regard to the selection of agency or in regard to the ratings//gradings arrived at for the Members shall be final and binding on the Members.
- ii) The NDC set for the Members may be reviewed periodically and Clearing Corporation may alter NDCs based on such review under advice to the concerned Members.
- iii) For the purpose of setting NDC for the Members, Clearing Corporation shall be entitled to seek from the Members such information as may be required in regard to their financial positions, management & ownership structure, balances with Reserve Bank of India, state of their Regulatory compliance etc. Such information is to be furnished by the Members within the such time as may be required by Clearing Corporation.

#### **B) EXPOSURE LIMIT**

- iii) Clearing Corporation shall also set USD buy position limits for each Member as per the process set out in Chapter VII (B) (3) (2) of these regulations.

#### **C) MARGIN FACTOR**

- i) Clearing Corporation may set Margin Factor for each Member. The components for such factor may include:

- a) **Credit Risk Factor** – depending on the ratings//gradings assigned to the Members based on certain financial parameters including Net Worth, asset quality etc. as decided worked out by Clearing Corporation from time to time. Clearing Corporation may take the assistance of any reputed Rating Agency for arriving at such ratings//gradings and the decision of Clearing Corporation in regard to the selection of agency or in regard to the ratings/gradings arrived at for the Members shall be final and binding on the Members.
- b) **Volatility Market Risk Factor** – based on Value at Risk for USD/INR exchange rates for three day holding period or on such other means as may be decided by Clearing Corporation.

**E) LIEN ON MARGINS**

- i) 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.
- ii) Margins shall be available in preference to all other claims against the Member for any due and proper 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.

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

Notwithstanding anything contained elsewhere in these Regulations:-

- i) If a Member fails to fulfill its margin obligation at the close of business hours on the day following the day when a margin call has been made, Clearing Corporation shall be entitled to temporarily suspend the Membership rights of such a Member;
- ii) A Member shall be liable to pay penalty as notified from time to time on the Margin shortfall for the period of delay in fulfilling its margin obligations. While computing penalty only business day may be reckoned provided such penalty and margin shortfall/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 Member will be termed as defaulter and the actual number of days including intervening holidays, Sunday and non-business days shall be reckoned for calculation of penalty amount.
- iii) Clearing Corporation shall be entitled to recover additional penalties/ charges from the Member as per rates notified from time to time pertaining to Fees and Charges;

- iv) The Membership of a Member who has been subjected to temporary suspension due to non-fulfillment of margin obligation on more than three occasions in a calendar half year shall automatically come up for review.
- v) Notwithstanding anything stated in sub-regulations F(ii) above, Clearing Corporation may stipulate higher penalty at the rate as notified from time to time when if-the margin shortfall in any Member's account exceeds three ~~business days~~ occasions per calendar quarter.

**G. MTM Margin Credit in Forex Forward Segment:**

- i) For Members in the Forex Forward Segment, MTM gains on account of trades accepted for guaranteed settlement may be allowed as Margin Credits in terms of Chapter VIII (E) of the Regulations of the Forex Forward Segment.
- ii) For net positions arising out of forward trades transferred to the Forex Settlement Segment for settlement purposes, Margin Credit there against shall be withdrawn on the day of settlement after the Final Net Position Report for the day is generated.
- iii) In the event of such withdrawal of MTM Margin Credit resulting in margin shortfall, Clearing Corporation shall have the right to withhold the USD or INR funds due to a Member to the extent of such shortfall in terms of Chapter VIII (E) of the Regulations of the Forex Forward Segment.
- iv) If any settlement proceeds are held back as per sub regulations G (iii) above, the withheld amount would be released to the Member on replenishment of the margin shortfall. If the Member fails to replenish the shortfall by the time specified by Clearing Corporation from time to time, Clearing Corporation may appropriate such settlement proceeds by credit to SGF account of the Member in Securities Settlement segment. If the withheld proceeds are in US Dollars, Clearing Corporation shall have the right to dispose of such amount as per process outlined in regulations (D) (2) (f) of Chapter VI relating to "Settlement Shortages and Defaults" in these Regulations. The proceeds of such sale shall be credited to SGF account of the Member in the Securities Settlement segment.

**CHAPTER VI- SETTLEMENT SHORTAGE AND DEFAULT**

**A) I) ~~DECLARATION OF SETTLEMENT SHORTAGE~~**

Failure of a Member to discharge its obligation to ~~deliver and/or~~ pay funds due from it at the time of settlement shall be treated as a Settlement Shortage.

**II) DECLARATION OF DEFAULT**

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 amount within the stipulated cut-off time.
- b) Failure to replenish its margin obligation within the stipulated cut-off time;
- c) inability to pay within the specified time damages and the money difference due on a closing-out effected against it under Bye-laws, Rules and Regulation,
- d) Failure to pay any amount under apportionment of loss allocation in terms of sub-regulation (D)(3).
- e) Any other circumstances as set out in the Bye-Laws and Rules of Clearing Corporation.

**B) DELIVERIES DUE TO THE DEFAULTER MEMBER IN SHORTAGE**

1. Clearing Corporation shall have the right to withhold the USD funds due to a defaulting Member in the event of non-delivery by that Member of INR funds;
2. Clearing Corporation shall have the right to withhold the INR funds or to instruct the RBI to debit the current account of the defaulting Member with the INR funds received by that Member in the event of non-delivery of USD funds.

**C) PENALTY FOR FAILURE TO GIVE OR TAKE DELIVERY**

Clearing Corporation shall impose on a Member in shortage/default, penalty and such other charges as notified from time to time. While computing penalty only business day may be reckoned provided such penalty and shortage obligation default is paid/replenished by the defaulting Member on the next business day. However, in the event of failure by the 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) SHORTAGE AND DEFAULT HANDLING PROCEDURE**

**1. Shortage/Default on USD obligation**

- a. When a Member fails to deliver the required amount of USD to the credit of and in the account of Clearing Corporation with the Settlement Agent at the time as specified in the Window of Operations on the Settlement date, such failure on the part of that Member shall be termed as default Settlement Shortage and shall be settled as follows:
- b. Subject to the other provisions of these Regulations, Clearing Corporation shall make good, at the cost of the defaulting Member on whose account shortage has the arisen in its shortfall that has USD account with its designated Settlement Agent, either by availing of a line of credit or overdraft facility available if any, or

by borrowing from an Indian or overseas entity or by purchase of such currency against INR funds available or any other source of funding as Clearing Corporation may deem fit.

- c. In the event that Clearing Corporation is unable to fully meet the ~~shortfall-shortage~~ by the processes described at Sub-Regulation (b) above, the residual amount, (i.e., the amount by which the ~~shortfall-shortage~~ exceeds the available resources as detailed in Sub-Regulation (b) above) shall be apportioned among the Members who ~~had to receive payment from the defaulting Member(s) as on the value date have receivable position in U S Dollars; maximum allocation of such shortage would however be made to the counterparties having net bilateral exposure in the currency of shortage to the Member in shortage.~~
- d. The ~~defaulting~~ Member in ~~shortage~~ shall repay the amount of USD ~~default shortage~~ before 12 noon (IST) on the next business day (i.e., the business day immediately following the ~~default~~ date of ~~shortage~~ to the credit of the specified account of Clearing Corporation with the Settlement Agent. Provided that Clearing Corporation shall ~~have authority, in its absolute discretion, be authorized~~ to amend the prescribed cut-off time by giving appropriate advance notice to all Members;
- e. ~~If Clearing Corporation resorts to the provision of the Sub-regulation 1.c above, it shall have the authority to recover from the Member in shortage a) compensation as may be advised towards the delayed payment of the USD obligation. Such compensation shall, on recovery be passed on to the allocatee Members and; b) charges and penalties as notified by Clearing Corporation;~~
- f. Clearing Corporation shall, in terms of the Member's mandate to RBI, pending fulfillment of settlement obligations by the ~~defaulting~~ Member ~~in shortage~~, ~~shall immediately~~ debit the ~~current~~ account of ~~the defaulting-such~~ Member maintained with Reserve Bank of India with the INR pay-out made to the Member ~~by Clearing Corporation towards its settlement obligation for that the previous settlement day.~~ The INR will be credited back to the Member's account on receipt of confirmation regarding credit of the USD amount ~~towards in default replenishment of shortage amount~~ to the account of the ~~Clearing~~ Corporation with the Settlement Agent.
- g. ~~If the Member is not able to replenish the shortage In the event of the being unable to pay the amount of USD~~ before the cut-off time prescribed in Sub-Regulation(d) 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 utilize the INR debited to the Member's account to purchase the amount of USD in default

for settlement on cash basis i.e., for same day settlement to liquidate the arrangements that had been made by Clearing Corporation to meet the USD 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;

- h. In the event of the Account of the **defaulting** Member maintained with Reserve Bank of India not having adequate INR or the funds recovered falling short of the default amount, Clearing Corporation shall:
  - i. retain the right to withhold pay-out if any to the Member for the two business days subsequent to the date of default in respect of trades already accepted for settlement. The release of funds so withheld will be contingent upon the Member's fulfilling his settlement obligation for the day of default.
  - ii. invoke the provisions of the Loss Allocation Procedure, as outlined in sub-Regulation (3) below, to liquidate the arrangements that had been made to meet the concerned USD default.
- i. The **defaulting** Member shall **repay** the interest, charges and penalties arising on account of the **default Settlement shortage** before 3 pm on the next business day (i.e., the business day immediately following the **default** date of **Settlement shortage**);
- j. Amounts recovered from the defaulting Member and/or appropriated from its contribution to SGF (including by way of sale or otherwise of securities) subsequent to the procedure outlined at Sub-Regulation (g) above, shall be shared among the Members who have shared the Loss under the Loss Allocation Procedure in the same proportion as that of Loss allocation Procedure.

## **2. Shortage/Default in Indian Rupee obligation:**

- a. When a Member fails to deliver the INR funds towards the settlement of its currency obligations on the value date, such failure on the part of the Member shall be termed as a **default-settlement shortage** and shall be settled as follows:
- b. Clearing Corporation shall make good, at the cost of the **defaulting** Member, the **shortage** by availing of a line of credit facility from a credit supporter against

Guarantee Fund or borrowings or such other means as the Corporation may deem fit in this respect;

c.

- i) In the event that Clearing Corporation is unable to fully meet the shortage by the processes described at Sub-Regulation (b) above, the residual amount, (i.e., the amount by which the shortfall exceeds the available resources as detailed in Sub-Regulation (b) above) shall be apportioned among the Members who have a net receivable position in INR from Clearing Corporation in terms of allocation process notified by Clearing Corporation.
  - ii) Clearing Corporation shall withhold the foreign currency payments i.e., USD payments due to be made to the Member in shortage. Provided that ~~of an unscheduled holiday on day~~ if due to delay in receipt of rupee fund, the USD payment has preceded the INR payments, the ~~defaulter~~ Member in shortage shall be under an obligation to refund the amount received on the business day next to the date of receipt, and such amount shall be deemed to be held in trust by the concerned Member for and on behalf of Clearing Corporation till actual refund of the amount to Clearing Corporation;
- d. The defaulting Member shall repay the INR funds before 12 noon on the next business date (i.e., the business day immediately following the default date of shortage) to the credit of the specified Current Account of Clearing Corporation with the Reserve Bank of India. Provided that Clearing Corporation shall in its absolute, be authorized to amend the prescribed cut-off time by giving appropriate advance notice to all Members;
- e. Clearing Corporation shall, upon verification and being satisfied about receipt of amount of INR default-shortage together with all interest, penalties and charges from the defaulting Member in shortage within the time limits prescribed in sub-Regulation (d) above, instruct the Settlement Agent to release the USD funds payable to the account of the defaulting Member;
- f. In the event of the defaulting Member in shortage not honouring its INR default obligation together with all charges, fees etc. within the time specified in sub-Regulation(d) 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 in INR up to the cut off time, Clearing Corporation shall may on the same day, declare the Member to be a Defaulter. Upon such declaration



- Clearing Corporation shall utilise the foreign currency (USD) withheld from delivery to the defaulting Member (in terms of sub-Regulation (c) above) to generate INR funds for settlement on cash basis i.e., for same day settlement to liquidate the arrangements that had been made to meet the INR default. Such conversion shall be effected 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 interests, costs and penalties relating thereto;
- g. In the event of INR funds generated out of the conversion of USD funds withheld from delivery to the defaulting Member (in terms of sub-Regulation(c) above) not being sufficient to cover the amount of INR default obligations together with interest, charges, penalties etc., Clearing Corporation shall invoke the provisions of the Loss Allocation Procedure, as outlined in sub-Regulation(3) below, to liquidate the arrangements that had been made to meet the INR default;
- h. Amounts recovered from the defaulting Member and/or appropriated from its contribution to SGF (including by way of sale or otherwise of securities) subsequent to the procedure outlined ~~at sub-regulation~~ in regulation (g) above, shall be shared amongst all the Members in the same proportion as that provided under of the Loss Allocation Procedure.

### 3. Loss Allocation Procedure

- a) Clearing Corporation shall initiate all measures that are prudent and necessary in the circumstances to meet the funds shortage in order to ensure that Trades are settled and all Members except the Member who is declared as a defaulter receive funds as due to them;
- b) Clearing Corporation shall appropriate as notified from time to time the SGF contribution of the defaulting Member prior to apportionment of settlement loss as part of the loss allocation procedure.

In the event of Clearing Corporation being unable to enforce any part of such SGF contribution of the defaulting Member due to any unavoidable reasons and/or insufficiency of such SGF to fully ~~extinguish-meet~~ the settlement loss, such ~~shortage shortfall~~ shall be recovered by apportioning the same among the Members who had to receive payment from the defaulting Member(s) in proportion to their individual net exposure in the currency of default to the defaulting Member(s) as on the value date as per provisions of sub-Regulations

D(1)(f) and D(2)(g) and the amounts subsequently received from the defaulting Member shall be apportioned amongst the Members who have contributed as per the said provisions;

- c) The share of each Member in the loss allocation procedure outlined above will be equal to the defaulting Member's Default amount, multiplied by the notional net bilateral amount payable by the defaulting Member to other Members and divided by the total net receivables of Members from the defaulting Member;

For the Members of the Forex Forward segment, whose netted position arising out of accepted forward trades are transferred to this segment, the notional net bilateral amount payable will include the underlying forward trades of the netted position received from the Forex Forward segment, including the cash allocated trades, if any, in terms of Chapter IV (E) (9) of the Forex Forward Regulations.

If the trades of the defaulting Member include cash allocation trades where such Member is the allocatee, the counterparty, for the purposes of arriving at bilateral exposure, shall be the "allocator" Member, as defined in Chapter IV (E) (9) of the Forex Forward Regulations.

If there is a default by the Member on whose account the Cash allocation has ~~happened~~, occured, for the purpose of arriving at bilateral exposure, the cash allocation trades for which CCIL becomes a counterparty be excluded.

- d) In the event of default by more than one Member on its payment obligation, and the Loss Allocation Procedure being resorted to by Clearing Corporation, the amount to be allocated amongst the other Members shall exclude all Trades done by the defaulting Members with each other.
- e) Any Member who fails to remit sums apportioned by Clearing Corporation in accordance with Bye-laws, Rules and Regulations within the time limit prescribed by Clearing Corporation for the purpose, shall be deemed to be a defaulter and Clearing Corporation may initiate action against the said Member in accordance with Bye-laws, Rules and Regulations. Such action may include invoking loss allocation procedure as if the Member in default under this sub-~~clause~~-regulation is a defaulter in meeting its settlement obligations.

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

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

- 1 The net debit cap available to such ~~a~~ Member in shortage/default shall be withdrawn pending settlement of the shortage/default obligation;

- 2 ~~The defaulter~~ Such Member shall be liable to make payment equivalent to the shortage within the cut-off time specified in (Annexure I);
- 3 The Member in shortage ~~defaulter~~ shall be liable to make payment equivalent to the interest, charges, penalties and other levies ~~as per Annexure appended hereto~~ within the cut-off time specified in (Annexure I)
- 4 The SGF contributions of the Member in shortage/defaulting Member shall be blocked pending settlement of its default obligation;
- 5 In the event of the Member in shortage defaulter 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 a defaulter and to use the INR funds recovered from the Current Account of the defaulting Member with RBI and/or appropriate the USD funds withheld from delivery to the defaulting Member towards fulfillment of the default obligation;
- 6 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 authorised to appropriate the ~~defaulter's~~ Member's contribution to SGF and/or any other funds that may be due to that defaulting Member towards the recovery of its shortage/default obligation;

## **CHAPTER VII: RISK MANAGEMENT**

### **A) SCOPE**

The provisions of this Chapter are outlines of the risk management policy of Clearing Corporation for its Forex Settlement Segment. Clearing Corporation ~~shall have the sole discretion~~ have authority to improve upon and better perfect its policies relating to risk containment measures from time to time, with due notification.

Clearing Corporation shall cover the risk through a prescription of

1. Net Debit Cap, for each Member as defined in Sub regulations A in Chapter V
2. Member specific Margin Factor as defined in Sub regulations C in Chapter V and collection of margins by way of contribution to SGF in the form of USD/INR ~~funds~~, cash, securities etc. as prescribed from time to time.

### **B) PROCESS**

2. During the course of processing for netting and settlement, Clearing Corporation shall arrive at the net payable amount in USD by a Member in respect of the matched trades pertaining to such Member for the respective settlement date and such net amount shall be compared with the exposure limit for the respective Member. Such exposure check shall commence on Trade date for cash, tom and spot trades. However, it shall commence two days before settlement date for forward trades and netted positions, if any, for ~~that the Member~~ received from the Forex Forward segment. If such net payable amount is found to be within the exposure limit as defined in Sub-regulation B.1 above, all such matched trades for such Member shall be accepted for guaranteed settlement by Clearing Corporation. If, however, such net payable amount is more than the exposure limit, Clearing Corporation may accept USD sale trades of such Member for such amount ~~(in order outlined below)~~ as may result in the net payable amount in USD to be within the exposure limit as stated in Sub-regulation B.1 above. For the purpose of exposure monitoring, Such exposure monitoring will be on a FIFO basis. and Netted position from the Forex Forward segment however will be reckoned for exposure check on a priority basis. matched trades in every batch will be reckoned in the following order till further notice:
- ~~a) Netted position received from the Forex Forward Segment.~~
  - ~~b) Forward Deals received from FX Clear~~
  - ~~c) Forward Deals received directly from Members.~~
  - ~~d) Spot Deals received from FX Clear~~
  - ~~e) Spot Deals received directly from Members~~
  - ~~f) Tom Deals received from FX Clear~~
  - ~~g) Tom Deals received directly from Members~~
  - ~~h) Cash Deals received from FX Clear~~
  - ~~i) Cash Deals received directly from Members~~
3. 1) A Member shall not be permitted to breach its Exposure Limit (i.e. allowed to get USD sale trades accepted by the Clearing Corporation for guaranteed settlement beyond a limit which may result in net USD sale amount for such Member for a given settlement date being in excess of the exposure limit), except in the event of a Unscheduled Holiday (USH) as outlined in Chapter IX B or where specifically approved by Clearing Corporation as outlined in Sub-Regulation B.4 below.
- 2) ~~Upon notification by the Clearing Corporation~~ A Member ~~may also~~ shall not be allowed to have net USD buy position for any settlement date for an amount exceeding the exposure limit set for the Member or such multiple thereof, as may be decided approved and advised by Clearing Corporation from time to time. The multiplier may vary from Member to Member based on the ratings/~~gratings~~ assigned to the Member for the purpose of arriving at Net Debit Cap as detailed in

regulation Chapter V A (ii), net worth, settlement records etc. Clearing Corporation's decision in this regard shall be final.

#### 4. Temporary Enhancement of Net Debit Cap:

- 4.1 A Member desirous of a temporary enhancement of the Exposure Limit shall give in writing an advance notice of at least 1 business day to Clearing Corporation. ~~in the format prescribed in Annexure IX.~~ Clearing Corporation shall consider such application on merits subject to the Member agreeing to arrange an amount equal to 100% of the additional limits sought by it in USD.
- 4.2 Upon obtaining approval, the Member shall arrange to credit the Current Account of Clearing Corporation with the Settlement Bank an amount equal to 100% of the additional limit sought by it latest by the close of business of the business day previous to the day on which such temporary enhancement is sought to be utilised. ~~Clearing Corporation may, upon receipt of credit of funds in its nostro account with the settlement bank, permit such temporary enhancement over and above the exposure limit as set out in Para B(i) of Chapter V and as per the process notified. 28 Clearing Corporation may, at its discretion, upon being satisfied of the actions taken by the to ensure that the deposit is in course of transmission, permit utilisation of such temporary enhancement over and above the exposure limit as set out in Para B(1) of Chapter V. 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.~~
- 4.3 ~~Clearing Corporation may also, subject to an overall limit as decided from time to time, enhance the exposure limit for the Member for a settlement date against an undertaking furnished by the Member and upon ensuring that the Member has issued the relevant payment instructions for deposit of the amount for which enhancement is sought. Provided that if it comes to the notice of Clearing Corporation that such the amount referred in sub-regulations 4.2 has not been credited to the its- account of Clearing Corporation with the its Settlement Bank within the stipulated cut-off time as may be notified, by the close of the business day previous to the day of utilization of the enhanced Net Debit Cap Clearing Corporation shall treat this as Default and be entitled, at its sole discretion be entitled~~ to withhold INR payment due to the concerned Member to the extent of the enhancement granted. Withheld INR amount shall be paid to the Member ~~on the subsequent business day in India~~ upon receipt of counter-value USD funds along with penalty and other charges as notified by Clearing Corporation from time to time and no interest claim shall lie against Clearing Corporation on this account.

## 5) Additional limits for USD buy positions:

5.1 Clearing Corporation may ~~at its sole discretion, allow the Member to have additional limit, allow a Member to exceed~~ USD buy position limit in addition to the limits set by Clearing Corporation for such Member in terms of ~~clause regulation~~ B.3.2 above. Such ~~higher~~ limit may be allowed for a single settlement date or for certain specified period, as the case may be.

a) A Member seeking such additional limit shall arrange to credit INR funds to the proprietary account of Clearing Corporation an amount equal to the 100% of the additional limit sought by it within the cut-off time as stipulated by Clearing Corporation from time to time.

Provided that, if it comes to the notice of Clearing Corporation that the INR amount has not been credited to its proprietary account with RBI within the stipulated cut-off time, Clearing Corporation shall have the right to debit Member's account with the RBI with the amount of INR settlement obligation in full.

b) A Member seeking such additional limit ~~shall may~~ also be permitted ~~at the discretion of Clearing Corporation in lieu of INR funds as at 5.1 (a) above, to~~ deposit such margin as may be required in terms of its Risk Management process ~~subject to such conditions as may be stipulated by Clearing Corporation~~. Any amount deposited by the Member on this account shall be allowed to be withdrawn only after the additional exposures taken on the account of the Member due to such additional limit is extinguished. Any deposit of margin in this regard may be treated as an additional contribution to the SGF of the Member and shall be subject to the Regulations applicable for such SGF.

5.2 It shall be the responsibility of the Members to ensure that their net USD buy position for any settlement date do not at any point of time exceed the limit for USD buy position set by Clearing Corporation in terms of the ~~clauses-regulations~~ B 3.2 and B 5.1 as above. In case it is observed that the Member has exceeded such limit for any settlement date, the Member shall be liable to pay penalty at a ~~rate~~ notified by Clearing Corporation in this regard.

5.3 ~~In case of unscheduled holiday~~ If due to an unforeseen event or circumstances, settlement of USD payout obligation precedes the INR settlement, ~~MemberMember,~~ Clearing Corporation shall be entitled to defer the US Dollar payout to the Member ~~to the extent it is~~ in excess of the exposure limit ~~of such Member~~, till receipt of the counter-value INR funds. Member shall however be entitled to receive any interest earned by the Clearing Corporation on such USD amount, net of incidental cost.

## 6 Mark to Market margin shall be applicable for:

- (a) Forward trades accepted for guaranteed settlement by the Clearing Corporation on trade date and/or
- (b) Trades accepted for guaranteed settlement by the Clearing Corporation for a Settlement day where the deal prices in the opinion of Clearing Corporation are not in line with the current market prices,

Mark to market margins shall be collected trade-wise from the Members holding adverse position. Such margin shall be computed based on the INR/USD exchange rates and/or forward exchange rates, as applicable, prevailing at the time of such computation and Clearing Corporation shall be entitled to use such rates for mark to market margin computation as it considers reasonable. Mark to Market margin requirements may, however, be introduced by Clearing Corporation after due notification and the process to be followed would be advised through such notification.

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

- 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 prescribed decided for eligible securities from time to time. Such haircut rates shall be notified from time to time.
- 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.

### **D) Volatility Margin**

- 1.1 Volatility Margin constitutes the margin obligation required to be fulfilled by a Member as its contribution to SGF in relation to a sudden increase in volatility of INR/USD exchange rates and shall be applied at rates decided by Clearing Corporation , on the Outstanding trades of the Member accepted for settlement under advise to Members;
- 1.2 Such Margin as determined by CCIL may be imposed by Clearing Corporation at any time during the day and as a result the exposure limits set for the Members may get reduced;



1.3 Members will be notified by Clearing Corporation prior to the collection and/or application of volatility margin.

1.4 Upon imposition of Volatility Margin, if it is observed that the Exposure limit of any Member is inadequate to cover the outstanding trades accepted by Clearing Corporation on account of the Member, it shall be the responsibility of the said Member to replenish the shortage as directed by Clearing Corporation.

## **CHAPTER VIII: CHARGES**

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

1. The Board or any Committee appointed by the Board or other official(s) of Clearing Corporation authorized by the Board in that behalf shall prescribe the fees, charges, levies, taxes and/or penalties payable by Members for services provided by Clearing Corporation from time to time;
2. The Board or any Committee appointed by the Board or any other official(s) of Clearing Corporation authorized by the Board in that behalf shall be empowered to review the various fees, charges, levies, and/or penalties and effect such changes in the same as it considers necessary;
3. The schedule of such charges payable by Members shall be notified by Clearing Corporation from time to time;

### **C) RECOVERY OF FEES AND CHARGES**

3. For a Settlement Shortage/default on the USD leg, the penalty computed shall be converted to INR using the Reference Rate announced by the Reserve Bank of India on the ~~default~~ date of the settlement shortage.

## **CHAPTER IX: HOLIDAY HANDLING**

### **A. MODIFIED BUSINESS DAY**

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 already reported by Members to the Clearing Corporation.

Clearing Corporation shall modify the value dates of all matched Forward trades reported by Members as follows:



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

Provided that, if the holiday known is greater than 3 business date and is a month-end, the settlement date shall be shifted to the preceding business date.

## **B. UNSCHEDULED HOLIDAY**

**I.** A holiday declared (in India or in the United States of America) within 2 business days due to the occurrence of unforeseen events or circumstances (i.e. within Spot window) shall be termed as an Unscheduled Holiday (USH).

a) In the event of an Unscheduled holiday, either in Mumbai or in New York the settlement in both currencies shall be shifted to the next business day.

Settlement of all trades (Matched, Netted, Accepted and Pending acceptance on account of Exposure violation) including netted trades received from forex forward segment and their underlying trades due for settlement on the day of the USH shall be postponed to the next business day.

## **II. Risk Management process:**

1. Clearing Corporation shall freeze the Exposure Limits of all ~~banks~~ Members for the day of USH to the utilized level and no further trades shall be accepted after declaration of holiday by Clearing Corporation.

In the event of breach in the Exposure limit of the Member on account of obligations due on USH being aggregated with obligations arising from trades already accepted for the next business day, the Member shall arrange to credit U S Dollar funds to the account of Clearing Corporation an amount equal to 100% of the position in excess of the limit within the stipulated cut-off time for pre-funding as notified in terms of Chapter VII (B) (4) of these Regulations.

In case of non-receipt of the said credit within the stipulated cut-off time, Clearing Corporation shall be entitled to with-hold the INR payment due to the concerned Member in terms of Chapter VII (B) (4.3) of these regulations.

2. In the event of breach in the Buy Limit of the Member on account of obligations due on USH being aggregated with obligations arising from trades already accepted for the next business day, Member shall arrange to credit INR funds to the account of Clearing Corporation an amount equal to 100% of the position in excess of the limit within the stipulated cut-off time for prefunding as notified in terms of Chapter VII (B) (5) of these regulations or shall be liable to pay penalty in terms of Chapter VII (B) (5.2).

Provided that Clearing Corporation shall not be obligated to postpone the settlement to the next working day if, in the opinion of the Regulator, such postponement may have adverse market impact.

## **CHAPTER X: MISCELLANEOUS**

### **1) LIMITATION OF LIABILITY OF CLEARING CORPORATION**

- a) 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 with and/or be responsible for, the underlying transactions of the relatives Trades;
- b) The only obligation of Clearing Corporation shall be to facilitate clearing, settlement, delivery and payment of funds between Members in consideration of the Members fulfilling all the requirements of these Regulations and Bye-Laws and such other Rules and 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 are not ~~being~~ facilitated for reasons beyond the scope and control of Clearing Corporation.

### **~~2) Suspension rights of Clearing Corporation~~**

- ~~a) Clearing Corporation may suspend its Members as specified in the Regulations.~~
- ~~b) Managing Director of Clearing Corporation or a Committee of not less than two officials nominated by the Managing Director (MD) may disable a Member from accessing the facilities of Clearing Corporation if in the opinion of the MD or the Committee of officials circumstances exist warranting disablement pending suspension. Provided that, within 4 hours after such disablement, the MD or the Committee of officials as the case may be shall record in writing the reasons for such disablement provided~~

~~however that the same shall be reported at the next Board or the Committee meeting whichever is earlier. After such disablement, Clearing Corporation shall communicate the information to other Members.~~

***Window of Operations - Timings (all references to timings in these documents refer to IST unless otherwise specified)***

<b>Nature of activity</b>	<b>Cut off Time</b>
Reporting to CCIL / Exchange of confirmations for cash and Tom trades	Up to 12.30 p.m. on S day
Reporting to CCIL / Exchange of confirmations for spot and forward trades	Up to 12.30 p.m. on S-1 day
Rejection of cash, tom, spot and forward trades <del>in pending exposure due to failure in risk exposure check</del>	1 p.m. on S day
Provisional Net Position Report to Members for spot and forward trades	1.30 p.m. on S-1 day
Final Net Position Report to Members for cash, tom, spot and forward trades	1.30 p.m on S day.
Issue of Instructions for debit to Members' account (INR) by CCIL	Before 4.00 pm on S day
Issue of Instructions for payment to Members' account (INR) by CCIL	Before 4.00 pm on S day
Cut-off time for receipt of USD pay-ins from Members	Before 10.30 pm on S day (12.00 noon EST)
Issue of Instructions for payment to Members' account (USD) by CCIL	Before 10:00 p.m. on S day (11.30 p.m. EST)
Final confirmation to Member banks (USD)	Before 10:30 a.m. on S +1 day
Final confirmation to Member banks (INR)	11 pm on S day

***Window of Operations for unwind in case of of shortage/default***

<b>Nature of activity</b>	<b>Cut off Time</b>
In case of INR <u>shortage</u> , withhold of USD payment to <del>bank</del> <u>Members</u> having such <u>shortage</u>	Before 10 pm on S day
In case of INR <u>shortage</u> , INR pay-in by <del>bank</del> <u>Member</u> having such <u>shortage</u>	Before 12 noon on S+1 day
If INR not received, sale of Dollars to get equivalent	12:00 noon on

INR; else instructions to SA for credit of withheld dollars to defaulting <del>bank</del> <u>Member</u>	S+1 day
CCIL repays LOC (INR)	Before 4 p.m. on S+1 day
In case of dollar <u>shortage</u> , debit to INR account of bank causing <u>shortage</u>	9am on S+1 day
In case of dollar shortfall, dollar pay-in by <del>bank</del> <u>Member</u> causing <u>shortage</u>	Before 12 noon on S+1 day
If dollar pay-in is not received, use INR recovered from such defaulting Member and issue Instructions to Settlement Bank for purchase of Dollars	Before 12:00 noon on S+1 day
Payment of interest, charges, penalties, etc	Before 3 pm on S+1 day

Note : 'T' denotes Trade Date  
'S' denotes Settlement Date

**IFN300: Foreign Exchange Confirmation**

This message type is exchanged between the financial institutions, which have agreed to a foreign exchange contract.

It is used to confirm the details of:

- A new contract between the parties;
- An amendment to a previously agreed contract;
- The cancellation of a confirmation;
- The maturity confirmation for a forward contract;
- The exercise settlement confirmation of a foreign currency option.

The field numbers along with the usage status (mandatory or optional) is given in the table below:

**IFN 300: Foreign Exchange Confirmation : Format Specifications**

Status	Field No.	Field Name	Content and Options
<b>SEQUENCE A - Conditions of the Contract</b>			
M	20	<b>Transaction Reference Number</b>	16x
M	21	Related Reference	16x
M	22	Code / Common reference/ <b>Swap identifier</b>	(*)
M	30	Date Contract Agreed / Amended	8n
M	36	Exchange Rate	12 number
O	72	Sender to Receiver information	6*35x

**SEQUENCE B - Amount Bought**

M	32R	Value    Currency    Amount Date    Code    Bought	8n3a15 number
O	56 A	Intermediary	A or D
M	57 A	Account with Institution	A or D

### SEQUENCE C - Amount Sold

M	33P	Value Date	Currency Code	Amount Sold	8n3a15 number
O	53 A	Sender's correspondent			A, B or D
O	56 A	Intermediary			A or D
M	57 A	Account with Institution			A or D

For details of the various Field Numbers, Options (A, B or D), usage Rules and examples of usage please refer to SWIFT MT 300.

The trade confirmation shall carry

- a. the Member's CCIL Membership ID in first line of Field 72.  
and the counterparty's Membership ID
- b. the code 'NEWT' in field 21 of IFN 300 for fresh Trades.
- c. the code 'AMND' in field 21 of IFN 300 for amendments to a transaction. Field 20 in such cases shall carry the same transaction reference number as the original.
- d. the code 'CANC' in field 21 of IFN 300 for cancellation of a transaction. Field 20 in such cases shall carry the same transaction reference number as the original.

**THE CLEARING CORPORATION OF INDIA LTD  
BUSINESS SEGMENT: FOREX**

Status of deals as on: (Current date)  
BATCH:

<b>Member ID:</b>	<b>Member Name:</b>							
Sr.no	Trans.Ref	Counterparty Name	Related Ref.	Trade Date	Buy Amount	Exchange rate	Sell amount	Value da
<p>1. REJECTED DEALS</p> <p>2. PENDING EXPOSURE DEALS</p> <p>3. ACCEPTED DEALS</p> <p>4. PENDING MATCH DEALS</p> <p>5. MATCHED DEALS</p> <p>6. <u>DEALS TRANSFERRED TO FOREX FORWARD SEGMENT</u></p>								

*(Note: Notice of Substitution to be given by a Member at the time of seeking to effect a substitution in its SGF contribution. Such request for substitution by a Member shall be subject to the provision of relevant Regulations relating to deposits and withdrawals from SGF.)*



**THE CLEARING CORPORATION OF INDIA LTD**

**FOREX SETTLEMENT**

**Temporary Enhancement of Net Debit Cap**

Date :

Ref.:

CCIL Member ID : XXXXXXXX

Member Name : xxxxxxxxxxxxxxxx

Value Date for which enhancement sought: (date)

Existing Net Debit Cap: \$xxxxxxxx " "

~~The bank confirms having made arrangements to credit the current account of Clearing Corporation with ABN Amro, New York an amount in USD equal to 100% of the additional limit sought at the commencement of value date.~~

~~"We hereby agree to transfer USD \_\_\_\_\_ million value \_\_\_\_\_ towards same day pre-funding to Clearing Corporation of India Ltd (within stipulated cut-off time) IST and undertake to pay the remaining USD funds on receipt of the Final Net-position report.~~

~~We also agree that incase of non-payment of USD \_\_\_\_\_ million by \_\_\_\_\_ Bank, you can withhold the equivalent rupee funds. Further, we also understand that incase the said funds is not credited to your account with (Settlement bank) within the specified cut-off time, the with-held INR funds by CCIL shall be credited to our account with RBI only on the next business day.~~

~~Request you to kindly enhance \_\_\_\_\_ Bank's Net Debit Cap by USD \_\_\_\_\_ million".~~

**Schedule for Batch Processing**

<b><u>Batch Name</u></b>	<b><u>Batch timing</u></b>
<b><u>Early Morning Batch</u></b>	<b><u>10:00 a.m.</u></b>
<b><u>Morning Batch</u></b>	<b><u>12:00 noon</u></b>
<b><u>Cut-off Batch</u></b>	<b><u>12:30 p.m.</u></b>
<b><u>Netting Batch</u></b>	<b><u>1:00 p.m.</u></b>
<b><u>Afternoon batch</u></b>	<b><u>5:30 p.m.</u></b>
<b><u>Evening Batch</u></b>	<b><u>7:30 p.m.</u></b>

*Please note that the batch timings are indicative.*