



THE CLEARING CORPORATION OF INDIA LTD

NOTIFICATION

**This has been superseded by Notification No. CCIL/FX/USD-
INR/15/61 dated 13-Nov-2015 on Changes to Forex Settlement
Regulations**

Date: 21st January, 2015

Notification No.: CCIL/FX/USD-INR/15/01

**All Member Banks
Forex Settlement Segment**

Dear Sir/Madam,

**Re: Changes to the Forex Settlement Regulations post Payment versus Payment mode
of Settlement.**

Members are hereby advised that the Forex Settlement Segment Regulations have been modified to reflect the changes post introduction PVP mode of settlement in the Forex Settlement segment. The changes predominantly include:

- a. Provision for Resignation from Forex Settlement Membership
- b. Changes to the Settlement and Clearing processes.
- c. Changes to the Risk Management processes.
- d. Changes to the Shortage Allocation process in USD and introduction of Shortage Allocation process in INR.
- e. Introduction of Default Fund in the Forex Settlement Segment

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) under Membership section.

We advise that the changes to the Forex Settlement Segment Regulations shall come into effect from a date to be notified separately.

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

sd/-
Managing Director

Annexure to Notification No. CCIL/FX/USD-INR/15/01

**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~~ *January, 2015*).

CHAPTER II: MEMBERSHIP

B) PROCESSING OF APPLICATIONS

1. Every such application received in terms of ~~Regulation~~ clause (A) above shall be submitted to the Approving Authority for consideration;

D) CLEARING MEMBER

A Member may be admitted as a Clearing Member for this segment. Such Member would be entitled to have USD/INR trades of its constituents cleared and settled in terms of policies and procedures to be notified by the Clearing Corporation effective from a date notified by Clearing Corporation.

~~ED~~) 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.

F) RESIGNATION FROM MEMBERSHIP

- I. A Member who
 - a. is not a Defaulter;
 - b. has met all the margin calls
 - c. has replenished its Default Fund contributions in respect of calls made on or before the Resignation Request date (as defined in clause II(i) below).

shall have the right to resign from Forex Settlement segment provided:

- 1) such Member is not a Member in the Forex Forward segment and satisfies either of the following conditions:
 - i. there are no outstanding trades accepted in the Forex Settlement segment.
 - ii. if the Member has taken the loss through replenishment of its contribution to Forex Settlement segment Default fund and the specified threshold as notified by Clearing Corporation from time to time in this respect has been reached.
 - 2) such Member is also a Member in the Forex Forward segment and satisfies one of the following conditions:
 - i. there are no outstanding trades accepted in the Forex Settlement segment and the application for resignation from the Forex Forward segment has been accepted in terms of the regulations relating to the Forex Forward segment.
 - ii. the specified loss threshold as notified by Clearing Corporation from time to time in this respect has been reached.
- II. A Member resigning under clauses F(I)(1)(i) and F(I)(2)(i) above shall give prior notice in writing to the Clearing Corporation clearly indicating its decision to resign from the Forex Settlement segment.
- i. The notice shall be effective on the Resignation Request Date, which for the purpose of this segment shall be the date on which such written notice is received by Clearing Corporation when delivered in person or by courier, or by a registered mail (with a return receipt requested).
 - ii. Clearing Corporation shall promptly notify other Members of this segment about the resignation request received. Such request for resignation under clause F(I)(1)(i) and F(I)(2)(i) shall be approved or rejected by the Managing Director of Clearing Corporation or by an official so authorised by the Managing Director within 2 business days from the Resignation Request Date based on fulfilment or otherwise of the conditions for resignation by the member. The resignation shall come into effect from such date of approval by the Managing Director of Clearing Corporation or by an official so authorised by the Managing Director or in the absence of such approval or rejection, it shall be deemed to be approved at the end of 2 business days from the Resignation Request Date.
 - iii. The resigning Member shall then be entitled to receive any amount lying as its contribution to the Default Fund account for this segment after adjusting all dues owed by it to Clearing Corporation in terms of its Bye-laws, Rules & Regulations.

- III. A Member desiring to resign under clause F(I)(1)(ii) and F(I)(2)(ii)above shall have to give prior notice of 30 calendar days to the Clearing Corporation in writing clearly indicating its decision to resign from the Forex Settlement segment.
- Clearing Corporation shall promptly notify other Members of this segment about the resignation request received.
- i. The resigning Member who is only a Member in the Forex Settlement segment shall cancel all the outstanding matched trades in the Forex settlement segment.
 - ii. The resigning Member who is also a Member in the Forex Forward segment shall be required to close-out all its Outstanding Trades as of Resignation Request Date in terms of the process set out in the Forex Forward Regulations relating to such close-out.
- IV. All requests for resignation under clause III above shall be approved or rejected by the Managing Director of Clearing Corporation or by an official so authorised by the Managing Director after the Member has cancelled all its Outstanding Trades within the specified 30 days notice period based on fulfillment or otherwise of all the conditions for resignation by the member. If it is not rejected or if such approval is not given by the end of the day of the Member's cancelling and closing out of all its outstanding trades, it shall be deemed to have been approved at the end of such day. The resigning Member shall thereupon be entitled to receive any amount lying to the credit of its Default Fund account for this segment after adjusting for other dues to Clearing Corporation.
- V. If the Member fails to cancel or close-out all its outstanding trades within the period set out in clause IV above, the resignation notice shall automatically become null and void.

CHAPTER III: SETTLEMENT GURANTEE 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. Such SGF shall 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. The dedicated SGF may be formed with contributions from Members in the form of cash (in U S Dollar) 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 shall 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 margin requirements in the form of cash as may be notified by Clearing Corporation from time to time. The proportion of the cash to eligible securities to be maintained by a ~~member~~ Member may be changed by Clearing Corporation from time to time.
3. Clearing Corporation may ~~after due notification~~ require Members to deposit their ~~entire~~ contribution(s) to SGF in the form of cash in US dollar and/or in the form of U S T-Bills as notified from time to time;
4. Clearing Corporation shall be authorized to invest the cash contribution received from Members in ~~Government Securities~~ U S Treasury Bills, bank deposits or such other instruments 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 specify the type of security including the maximum contribution to be made in a single security towards the SGF.~~
5. Upon its admission, a Member’s contribution 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;

6. A Member's contribution to SGF shall 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.
7. 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 VII 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;~~

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~~ 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 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 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 U S ~~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) related to Settlement Shortage and Defaults~~ of these Regulations;
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 ~~e~~Clearing and ~~s~~Settlement of transactions accepted by it;

F) RECEIPTS AND DELIVERIES OF SECURITIES U S TREASURY BILLS

1. In the event of Clearing Corporation requiring its members to contribute ~~securities~~ US Treasury Bills to SGF, such contribution shall be in multiples of market lots.
2. Members shall arrange to deposit their contributions ~~of eligible securities~~ to SGF by ensuring credit of ~~US D Treasury Bills securities as required by the Custodian~~ and advise the Clearing Corporation in the format prescribed for the purpose.
3. Members shall ensure that all relevant details as required by ~~RBI~~/Custodian/Clearing Corporation to carry out such trades in the Custody accounts are furnished.
4. The Clearing Corporation shall reckon the credit to the Member's account only on receipt of confirmation of credit to its account with Custodian. Such credit shall be reckoned for purpose of margin computation in respect of a Member at the start of the business day following the date of receipt of deposit intimation by Custodian;
5. Members shall be entitled to withdraw U S Treasury Bills securities from their contributions to SGF by giving prior notice as per the workflow process notified by Clearing Corporation from time to time. ~~For USD Treasury Bills securities, the notice period shall be as stipulated by the Custodian. Provided that if such notice for withdrawal is received in respect of a security that shall be falling into shut period and rendering such delivery impossible, then such notice shall be considered to be invalid;~~
6. Withdrawal of U S Treasury Bills securities by a Member shall result in reduction from its SGF balance as and when instructions to transfer such securities to the concerned Member are issued to Custodian by Clearing Corporation;
7. Members shall be entitled to substitute US Treasury Bills 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 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;~~

- ~~8. Members may substitute U S Treasury Bills shall at the time of making requests for substitution ensure that the security being offered in replacement for the security proposed to be withdrawn forms part of the securities eligible for contribution to SGF at the time of replacement and that the Members ensure that SGF balance after substitution shall be sufficient to cover its margin obligation.~~

G) CASH CONTRIBUTION TO SGF – PAYMENTS AND RECEIPTS

1. Members shall effect cash contribution to SGF in U S Dollar ~~or in INR~~ as per the work flow process notified by Clearing Corporation from time to time in respect of their respective margin obligations;
- ~~2. In the event of such contributions being required to be made in INR, Members shall arrange to directly deposit their contributions to SGF as per work flow process notified by Clearing Corporation from time to time;~~
- ~~3. In the event of such contributions being required to be made in USD, Members shall arrange to deposit their contributions to SGF with the Settlement Bank/ Custodian as per work flow process notified by Clearing Corporation from time to time;~~
2. Clearing Corporation shall not in any manner be responsible for any consequences that may arise on account of non-receipt of deposits from Members towards their cash contributions to SGF;
3. Members shall be entitled to receive credit for their U S Dollar 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 of~~ 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~~;
4. Withdrawal of U S Dollar 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 ~~Settlement Bank RBI and/or Custodian as applicable~~ by Clearing Corporation.

~~H) CORPORATE ACTIONS ON SECURITIES CONTRIBUTED TO SGF~~

- ~~1. Periodical interest receivable by the Members on their securities contributed to SGF / cash deposited in SGF invested by Clearing Corporation on their behalf shall be received by Clearing Corporation for and on behalf of the Members in the manner and mode prescribed by the Custodian; Periodical interest receivable by the Members on the funds contributed to SGF and invested by Clearing Corporation in securities on their behalf shall be received by the Clearing Corporation for and on behalf of the Members in the manner and mode prescribed by Custodian;~~

~~2. Interest received by the Clearing Corporation shall be subsequently remitted to the concerned Member at the earliest net of costs and taxes, if any. Clearing Corporation shall not be responsible for any delay in receipt of interest by a Member and no claim shall rest on the Clearing Corporation on this account.~~

H) REDEMPTION OF SECURITIES U S TREASURY BILLS CONTRIBUTED TO SGF

1. Members shall monitor their U S Treasury Bills securities contributions to SGF to ensure that securities Treasury Bills falling due for redemption are withdrawn from SGF well in advance before the redemption date and substituted by eligible securities of equivalent value. In the event of their failing to do so, redemption proceeds receivable by the Members on such securities Treasury Bills shall be received by Clearing Corporation for and on behalf of the Members in the manner and mode prescribed by Custodian as applicable;
2. Redemption proceeds received by Clearing Corporation shall be treated as additional cash contribution to SGF and accordingly credited to the Members account.

I) UNUTILISED SGF OF SECURITIES SEGMENT

1. Clearing Corporation may also consider the unutilized portion of Securities segment SGF towards margins for Forex Settlement segment. Member shall be deemed to have authorized the Clearing Corporation to utilise the unutilised portion of Securities Segment SGF towards margins for Forex Settlement segment. Such margins for Forex Settlement segment shall be blocked out of the unencumbered SGF available at that point as per procedure notified from time to time.
2. The proportion of the Cash to Securities, if any, to be maintained by the Member shall be notified by Clearing Corporation from time to time
3. The provisions governing the administration of the SGF including receipt and withdrawal of securities and cash contributions, investment of the funds and corporate actions thereon shall be governed by the Securities Segment Regulations of Clearing Corporation.

CHAPTER IV: TRADE SETTLEMENT

A) KINDS OF 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 For the purpose of these Regulations, deals refer to the forex transactions reported by Members and trades refer to Matched deals including deals received from Forex Dealing System and/or FX-Swap Dealing System of Clearcorp;

B) TIMINGS

1. Clearing Corporation may specify the time schedule for reporting of Trades by Members to Clearing Corporation as also for various other activities incidental to the Clearing and Settlement process;
2. The time schedule prescribed by Clearing Corporation in terms of ~~sub-Regulation clause~~ (1) above is contained in Annexure (I) and (VI);
3. Clearing Corporation, shall have the authority to alter, modify, add, and delete time schedules for the various activities prescribed in ~~sub-Regulation clause~~ (1) above, and notify the Members of such changes at least 30 days before such changes shall take effect;

Notwithstanding anything contained above, Clearing Corporation may, if it is of the opinion that it is in interest of the market, alter, modify, add and delete time schedule by notifying such changes at least 24 hours before such changes take effect.

4. The Member shall adhere to the time schedules prescribed by Clearing Corporation. Clearing Corporation shall not be responsible for Trades received after the cut-off times prescribed.

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 prescribed and notified for trade confirmation);

~~The Trade confirmations shall be received over INFINET and uploaded on to Clearing Corporation's computer systems by the Members. The Trades shall be sorted, stored and processed settlement date wise.~~

~~**H) Deals received from Forex Dealing System and FX-SWAP Dealing System:**~~

2. 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;~~
3. Amendments/Cancellations to deal particulars ~~received from FX Clear/FX SWAP~~ shall be governed by the rules and regulations prescribed for deals in ~~the Sub-regulations clause~~ (D) below. ~~reported directly by Members.~~

D) VALIDATIONS

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

1. Clearing Corporation shall perform validation checks on the ~~Trades captured directly from members~~ deals processed for Clearing and Settlement.
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) 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 validation checks Clearing Corporation shall ~~advise~~ duly notify 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~~ 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) Cancellations shall be accepted for trades already accepted for settlement subject to availability of limits and margins.

iv) 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, 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 for a FX Clear trade, 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 eligible Trades deals 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;

2. Clearing Corporation shall treat ~~Trades~~ deals as unmatched under the following conditions:
 - a. If the fields indicated in ~~sub-regulation-clause~~ (1) above do not match with the corresponding details of ~~Trades~~ deals as reported by the counter-party deals. ~~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 Deal Status Report in the format prescribed in Annexure IV.~~

F) EXPOSURE CONTROL

~~Trades would be subjected to margin adequacy check in terms of the process described in Chapter VII on Risk Management, prior to acceptance by Clearing Corporation.~~

~~Outstanding forward trades accepted for settlement for a settlement day (S day) in the Forex Forward segment shall be netted Member-wise two business days before the settlement day (i.e. S-2 day). The netted forward positions arising out of such forward trades shall be subjected to Exposure Check at the beginning of the day on S-2 day in the Forex Settlement segment. All forward trades once accepted for settlement will be deemed to be transferred to the Forex Settlement Segment for settlement.~~

- 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 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, reject the following trade/deals reported to it by Members for settlement.~~

- a) Trades which fails the risk ~~exposure check~~ Exposure Check at the cut-off time as set out in Annexure I. Corresponding trades 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 viz., incorrect Membership ID etc;
- c) If the ~~trades~~ 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 as deemed fit by Clearing Corporation under advice to the Member. Any other reason rendering the processing of such trades impossible. The concerned Members shall be duly advised by Clearing Corporation of such rejection.

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

~~1. Clearing Corporation shall, reject the following Trades received from FX Clear and FX-SWAP Dealing System for settlement:~~

- ~~a) Trades which fail the risk exposure check at the cut off time as set out in Annexure I. Corresponding trades 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) If the trades 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.~~

H) STATUS OF TRADES

- 1) All Trades ~~received reported by Members~~ for Clearing and Settlement ~~through Clearing Corporation~~ have to be specifically accepted for settlement by Clearing Corporation;

I) SETTLEMENT OBLIGATIONS OF MEMBERS

- ~~1.~~ A Member shall receive from Clearing Corporation a Final Net Position Report in respect of Trades accepted for Clearing and Settlement as per format prescribed in Annexure III by the cut-off time prescribed for the purpose in Annexure(I). The Obligations contained in the Final Net-position Report shall constitute binding and conclusive confirmation of the respective Member's obligations. The obligations of the respective Members so determined shall be final and irrevocable.

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.~~
- ~~4. Clearing Corporation shall also issue a Provisional Net Obligation statement to the Member covering trades accepted for settlement upto the cut off time on S-1 day, as a matter of guidance and the acceptance document for all obligations shall be the~~

~~Statement for Final obligation statement which will include all trades accepted for settlement for a settlement date on S day.~~

K). MODES OF PAYMENT

A) PAY-IN OBLIGATION

1) (a) Member having a net pay -in able 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. 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

- i. A Member desirous of authorizing the Clearing Corporation to raise a direct debit shall execute the Debit Mandate in such form and manner as may be specified by Clearing Corporation. Such execution shall be carried out by duly authorized signatory/ies. ~~after having obtained necessary internal approvals for the said purpose.~~
- ii. Clearing Corporation shall, for such Member, directly debit such sums as are required to settle the Member's net payable positions in USD either in installments or for the full net obligation as selected by the Member, from the relevant NOSTRO accounts of the Member ~~as are required to settle the Member's net payable positions in USD~~ at before the cut-off times notified by Clearing Corporation in respect of the relevant transactions on that settlement day.
- iii. In the event the correspondent bank of the ~~member~~ Member does not honour the mandate, the Member shall be liable for further action in terms of Chapter VI (D)(1) of these regulations.
- 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.

- 2) For the INR leg, Members shall give to the RBI a mandate for operating on their Accounts maintained with RBI for the transactions arising out of the Clearing and Settlement services undertaken by Clearing Corporation;
- 3) A Member shall ensure that there are adequate funds in its Nostro account with the Correspondent bank/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 clause~~ (I) ~~(1) above~~ prior to the cut-off time specified for the purpose.
- 4) 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.

B) PAY-OUT OBLIGATION

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,~~ Clearing Corporation shall make to the Member pay-outs in the currency in which the Member has a Net-receivable, provided the Member has paid in the settlement obligation due in the currency payable. The modes of payments for all Trades are specified as under:

- a) Pay-outs in either currency shall be made to the extent of pay-in received in the other currency. In the event of a partial pay-in received, the amount of such pay-out shall be determined in terms of the latest available exchange rate.
- b) 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 pay-out 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.

- c) INR payments shall be effected through accounts maintained with RBI. The RBI Regulations relating to current accounts shall form part of any settlement process so prescribed.
- d) Without prejudice to the generality of the above, under exceptional circumstances and under advice to RBI, Clearing Corporation may effect payouts in INR due to a Member against unutilized balances in the Securities Segment SGF account of a the Member. subject to eligibility in terms of a policy to be notified separately in this regard.
- e) Pay-outs for Members who have paid their obligation post the specified cut-off shall be released on the next business day in proportion to such pay-ins received.

L) REPORTS

Clearing Corporation shall generate and provide to each Member the following Reports:

~~1. Deal Status Report~~

~~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.~~

1) 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 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.

2) Settlement Status Report

Settlement Status Report is generated post completion of the settlement in either of the currencies.

M) DELAYED PAYMENT OR FAILURE IN PAYMENT

- i) If a Member pays ~~INR~~ funds on the settlement date but the funds are received by Clearing Corporation after the ~~or USD funds at the~~ cut-off time as specified in the Window of Operations notified by Clearing Corporation on the settlement date, it shall be considered as a delayed payment and the applicable charges, shall be levied as notified by Clearing Corporation.
- ii) If the Member fails to pay the funds on the Settlement date the same shall be treated as an act of Settlement shortage 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 currency-wise Net Debit Cap(NDC) for each Member which shall constitute the maximum potential ~~devolement~~ liquidity exposure that the upon Clearing Corporation may take on a Member in this segment for a given settlement date ~~arising out of the Member's failure to~~ Net Debit Cap Limits for ~~USD/INR~~ the Ttrades shall be denominated ~~in~~ both in USD and in INR.
- ii) Clearing Corporation shall set NDC for the Members depending on the ratings assigned to ~~the Members~~ them on the basis of certain ~~financial~~ parameters including networth ~~Net Worth~~, asset quality etc. as 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 and the decision of Clearing Corporation in regard to the selection of agency or in regard to the ratings arrived at for the Members shall be final and binding on the Members.

B) EXPOSURE LIMIT

- i. Clearing Corporation shall compute and set currency-wise ~~an~~ Exposure Limits for each Member based on its balance in Settlement Guarantee Fund (SGF) and the Margin Factor applicable for the concerned Member in the manner prescribed in Chapter VII. Net Debit Cap set for a Member in a currency shall be Tthe maximum ceiling for the Exposure Limit in the currency for the Member ~~for a Member shall be the Net Debit Cap set for such Member.~~
- ii. Members shall have the right to opt for an Exposure Limit in a currency which is lower than that set by Clearing Corporation in terms of clause (i) above.
- iii. Except under circumstances where temporary enhancement to the ~~Net Debit Cap~~ Exposure Limit is allowed in terms of Chapter VII (C)(6) of these Regulations, ~~para B.4~~ Exposure Limit in the currency shall be the limit for the maximum Net Payable amount in ~~USD-~~ the currency by the Member, for a ~~given~~ settlement date, for which a Member can settle its Trades through Clearing Corporation.
- iv. SGF contribution made by the Member to avail Exposure Limits as above shall be considered as Initial Margin.
- v. Clearing Corporation shall, upon receipt of written request to that effect, permit Members with specified ratings to avail higher Exposure Limits for specified days in the spot window. The permissible higher limit will be expressed as such multiple of NDC or Exposure Limit as may be notified by Clearing Corporation from time to time. Such higher limit may be availed of by a

Member subject to its meeting the resultant Additional Initial Margin obligation as described in clause D(ii)(a) below;

If such higher Exposure Limits are allowed, Clearing Corporation shall after due notification be entitled to stipulate that the Member authorize Clearing Corporation to set aside margins corresponding to the risk exposures on such positions. Any amount set aside in this manner shall not be available to the Member for use for any other purpose till the amount is released by Clearing Corporation. Such release shall usually happen after the Exposure Check process for the day is over and the positions have been duly secured by deposit of margin by the Member.

- vi. Provided that it shall be the responsibility of the Members availing such higher Exposure Limit to ensure that their limit utilization is always within the permissible Exposure Limit as may be applicable for the settlement date;
- vii. The amount of net position which is in breach of the Member's Exposure Limit in any currency after the prescribed time on S day in the Forex Settlement Segment shall be Cash settled as set out in Chapter VII C (5) (h) on 'Exposure Control'.

~~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 assigned to the Members based on certain financial parameters including Net Worth, asset quality etc. as 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 and the decision of Clearing Corporation in regard to the selection of agency or in regard to the ratings arrived at for the Members shall be final and binding on the Members.~~
 - b) Market Risk Factor**— based on Value at Risk for USD/INR exchange rates for ~~three day specified~~ holding period or based on such other means as may be decided by Clearing Corporation.
- ii. Clearing Corporation, after due notification, may set higher margin factors for some Members based on the ratings/gradings assigned to such Members on the basis of certain financial parameters including networth, asset quality etc. as considered necessary by Clearing Corporation from time to time.
- iii. Clearing Corporation may from time to time notify the process for setting margin factor.

- iv. The margin factors set for the Members ~~may~~ shall be reviewed periodically and Clearing Corporation may alter such margin factors based on such review under advice to the concerned Members.
- v. Notwithstanding anything contained herein, Clearing Corporation shall be entitled ~~open for Clearing Corporation~~ to increase the Margin Factor for any Member, under advice to the ~~concerned~~ Member, if Clearing Corporation is of the view, based on any adverse market report or adverse information available to it, that such increase ~~if any~~, is necessary to protect its own interest and/or the interest of its Members. The decision of Clearing Corporation in ~~which such~~ case ~~the decision of Clearing Corporation~~ shall be final and binding.

D) MARK TO MARKET & VOLATILITY MARGINS

i. Margin Requirements

- a. Clearing Corporation shall prescribe requirements of margins for the Forex INR/USD trades to be cleared and settled through Clearing Corporation and the Members shall furnish such margins as a condition precedent to acceptance of such trades by Clearing Corporation for Clearing and Settlement in this segment.
- b. Clearing Corporation shall make a margin call if the margin obligation of a Member reaches a specified percentage of the margin made available for this segment. Such specified percentage shall be termed as Replenishment Level. If a margin call is made by Clearing Corporation, it shall be the responsibility of the Member to deposit additional margin thereafter or submit trades which cause reduction in margin requirement so that the margin obligation of the Member as a percentage of margin availability for this segment falls below the replenishment level.
- c. Clearing Corporation shall however continue to accept trades on account of such Member till the margin obligation reaches a higher percentage, termed as Rejection Level. After the margin obligation for a Member reaches Rejection Level, Clearing Corporation shall ordinarily not accept any further trade of the Member till additional margin is deposited so as to bring the margin requirement as a percentage of margin availability for this segment on account of that Member to lower than the Replenishment Level as described above. Clearing Corporation may, however accept trades for Clearing and Settlement without any further reference to the Member even after the margin availability for this segment has breached the Rejection Level, if such acceptance is necessitated due to post trade Exposure Check of trades concluded on FX-Clear or FX-SWAP Dealing systems of Clearcorp.
- d. Clearing Corporation shall notify the percentages set as Replenishment Level and Rejection Level. It may also, after duly notifying the Members, alter the percentages set as Replenishment Level or Rejection Level.

- e. Clearing Corporation shall also make margin call for possible margin shortfall towards Incremental MTM margin liability as described in clause D(ii)(b)(iii) below. On receipt of notice towards any such margin call, the Member shall arrange to deposit additional amount as margin by not later than 11-00 AM of the next business day (by 10-30 AM if the next business day is a Saturday), so that the balance available as margin is adequate to cover its margin obligation in this segment (i.e. the margin requirement as percentage of margin available for this segment is below the Replenishment Level as described in Clause D(i)(c) above).
- ii. **Margin Components**
- a) **Additional Initial Margin**
- Additional Initial Margin (AIM) shall be applicable on positions of the Members in excess of Exposure Limits availed by them in terms of clause B (v) above. Additional Initial Margin shall be computed in the manner described in Chapter VII relating to Risk Management in these Regulations.
- A Member who has not availed higher Exposure Limits in terms of Clause B(v) above but has positions in excess of the Exposure Limits in any currency on account of trades done in FX-Clear and/or FX-SWAP Dealing systems shall also be required to deposit Additional Initial Margin.
- i) ~~— Apart from setting up NDC and Margin Factors as above, Clearing Corporation may from time to time prescribe the requirements of various other forms of margins for Trades settled through Clearing Corporation and Members shall provide such margins as a condition precedent.~~
- ii) ~~— The margins to be provided by a Member shall be:~~
- b) **Mark to Market Margin**
- i. Mark to Market margin constitutes the margin obligation required to be fulfilled by a Member on account of as its contribution to SGF in relation to adverse price movements. ~~or on account of accepting trades at off market price (as outlined in Chapter VII relating to Risk Management in these Regulations).~~
- ii. Clearing Corporation shall also be entitled to collect MTM margin on intra-day basis from the Members based on a process as notified by Clearing Corporation from time to time.
- iii. **Incremental MTM Margin:** Increase in MTM margin obligation for the day over the MTM margin obligation for the previous day would be termed as “Incremental MTM margin.”
- c) **Volatility Margin**
- Volatility Margin comprises the margin obligation required to be fulfilled by a Member ~~as its contribution to SGF~~ in relation to sudden increase in market volatility and shall be applicable, ~~at the~~

~~discretion of Clearing Corporation,~~ on ~~Outstanding Trades~~ in respect of the Member and/or Securities contribution to SGF by the Member.

~~Members shall be notified by Clearing Corporation prior to the collection and/or maintenance of above Margins.~~

d) Concentration Margin

Concentration margin constitutes the margin obligation required to be fulfilled by a Member in relation to its outstanding exposure for a settlement date or for a number of settlement dates, beyond pre-determined limit(s). Clearing Corporation shall have the right to stipulate such margin after due notification to its Members.

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 amount of 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 is paid / replenished by the 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 rights 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 clause F(ii) above, Clearing Corporation may stipulate higher penalty at the rate as notified from time to time when the margin shortfall in any Member's account exceeds three occasions per calendar quarter.

G). MTM Margin Credit

- ~~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.~~

MTM gains by the Member on account of trades accepted for Clearing and Settlement may be allowed as Margin Credits in terms of Chapter VII related to Risk Management of these Regulations.

CHAPTER VI : SETTLEMENT SHORTAGE AND DEFAULTS

A)

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,
~~— Failure to pay any amount under apportionment of loss allocation in terms of sub — regulation (D)(3).~~
- d) Any other circumstances as set out in the Bye-Laws and Rules of Clearing Corporation.

B) DELIVERIES DUE TO THE MEMBER IN SHORTAGE

1. Clearing Corporation shall have the right to withhold the USD funds due to a 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 ~~at the latest exchange rate due to a or to instruct the RBI to debit the account of the Member with the INR funds received by that~~ Member in the event of non-delivery of USD funds by that Member.
3. The amount to be with-held shall be computed using the latest available exchange rate and after applying haircut.

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 within the time ~~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 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 Member on whose account shortage has arisen in its 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 shortage by the processes described ~~at Sub-Regulation-in clause (D)(1)~~ (b) above, the residual amount, (i.e., the amount by which the shortage exceeds the available resources as detailed in ~~clause Sub-Regulation-(D)(1)~~ (b) above) shall be apportioned among the Members, hereinafter referred to as allocatee Members, who have a net receivable position in U S Dollars from Clearing Corporation in terms of allocation process notified by Clearing Corporation.~~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. If Clearing Corporation resorts to the provision of clause (D)(1)(c) above, it shall have the authority to recover from the Member in shortage
- i. compensation as may be advised towards the delayed payment of the USD obligation. Such compensation may, on recovery be passed on to the allocatee Members and;
- ii. charges and penalties as notified by Clearing Corporation;
- e. In the event the U S Dollar obligation is not received on the Settlement date, the same is treated as a Shortage and the Member in shortage shall repay the amount of USD shortage before 12 noon (IST) on the next business day i.e., the business day immediately following the date of shortage to the credit of the specified account of Clearing Corporation with the Settlement Agent. Provided that Clearing Corporation shall have authority to amend the prescribed cut-off time by giving appropriate advance notice to all Members;
- ~~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.
- i. In the event Clearing Corporation has paid the INR funds to the Member in shortage against unutilized balances in the Securities Segment SGF in terms of Chapter IV (K)(B)(d) of these Regulations, Clearing Corporation shall, ~~in terms of the Member's mandate to RBI~~, pending fulfillment of settlement obligations by the Member in shortage, ~~shall~~ immediately debit the account of such Member maintained with Reserve Bank of India with the INR pay-out made ~~due~~ to the Member.
- ii. The INR with-held or debited will be credited ~~back~~ to the Member's account on receipt of confirmation regarding credit of the USD amount towards 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 before the cut-off time prescribed in ~~Sub-Regulation-clause (D)(1)~~ (de) 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 without further reference to the Member who failed to replenish the shortage, declare the Member as ~~Default~~Defaulter. Upon such declaration, Clearing Corporation shall utilize the INR ~~debited pay-out with-held 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 met out of the margins with-held by the Clearing Corporation in the account of the defaulter Member and loss in excess of the margin shall be met by recourse to the Default Fund as outlined in Chapter VIII of these regulations. 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 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.~~
- h. The Member shall pay the interest, charges and penalties arising on account of the Settlement shortage before 3 pm on the next business day (i.e., the business day immediately following the date of Settlement shortage);
- ~~i. 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 within the time as specified in the Window of Operations on the ~~value date settlement date~~, such failure on the part of the Member shall be termed as a settlement shortage and shall be settled as follows:

- b. Clearing Corporation shall make good, at the cost of the Member, the shortage by availing of a committed 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. In the event that Clearing Corporation is unable to fully meet the shortage by the processes ~~described at Sub-Regulation in clause (D)(2)(b)~~ above, the residual amount, (*i.e., the amount by which the shortfall exceeds the available resources as detailed in clause Sub-Regulation (D)(2)(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.
- ~~d. Clearing Corporation shall withhold the foreign currency payments i.e., USD payments due to be made to the Member in shortage. Provided that if due to delay in receipt of rupee fund, the USD payment has preceded the INR payments, the 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 Member shall repay the INR funds before ~~12 noon~~10:30 AM on the next business date (*i.e., the business day immediately following the 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 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 shortage together with all interest, penalties and charges from the Member in shortage within the time limits prescribed in clause (D)(2) sub-Regulation (d) above, instruct the Settlement Agent to release the USD funds payable to the account of the Member;
- f. In the event of the Member in shortage not honouring its INR obligation together with all charges, fees etc. within the time specified in clause (D)(2) 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 may on the same day, without any further reference to the Member who failed to replenish the shortage, declare the Member to be a Defaulter. Upon such declaration Clearing Corporation shall utilise USD withheld from delivery to the defaulting Member (*in terms of clause sub-Regulation B(1) 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 met out of the margins with-held by the Clearing Corporation in the account of the defaulter Member and loss in

excess of the margin shall be met by recourse to the Default Fund as outlined in Chapter VIII of these regulations. 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 in regulation (g) above, shall be shared amongst all the Members in the same proportion as that provided under 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 meet the settlement loss, such shortage 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)(g) 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;~~

- ~~e) 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 occurred, 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 subregulation is a defaulter in meeting its settlement obligations.~~

E) 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~~ Exposure Limit available to ~~such~~ Member in shortage/default shall be restricted to the actual utilisation at the point of such occurrence within the Spot window, withdrawn pending settlement of the shortage/default obligation. However, Clearing Corporation shall have the right to accept trades of the Member which bring about a reduction in the limit utilization for the respective value date.
- 2 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 shall be liable to make payment equivalent to the interest, charges, penalties and other levies within the cut-off time specified in (Annexure I)
- 4 The SGF contributions towards Exposure Limit and Margins of the Member in shortage/default ~~Member~~ shall continue to be blocked pending settlement of its obligation;
- 5 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 a dDefaulter and to ~~use the INR₂ funds recovered from the~~

~~Account of the defaulting Member with RBI and/or~~ appropriate the USD/INR funds withheld from delivery to the defaulting Member towards fulfillment of the default obligation;

- 6 In the event that the corresponding funds ~~recovered-with-held~~, in terms of ~~sub-regulation clause B(1) and B(2)~~ above, are insufficient to cover the shortage/default obligation, Clearing Corporation shall be authorised to appropriate the Member's contribution to SGF, margins and/or any other funds that may be due to that ~~d~~Defaulting Member towards the recovery of its shortage/default obligation;

F) Close-out of trades of an insolvent Defaulter Member

1. If a Defaulter Member has been declared insolvent, Clearing Corporation shall be entitled to close-out all its outstanding trades through auction or private placement. Any decision taken by the Clearing Corporation in this regard shall be final and binding.
2. Any loss from such close-out shall be recovered by Clearing Corporation from the margins deposited by the defaulter Member or from any other money due to the defaulter Member. Any residual loss will be recoverable from the defaulter Member.

CHAPTER VII : RISK MANAGEMENT

A) SCOPE

- 1) The provisions of this Chapter are outlines of the risk management policy of Clearing Corporation for its Forex Settlement Segment. Clearing Corporation have authority to improve upon ~~and better perfect after due notification~~, its policies relating to risk containment measures from time to time. ~~with due notification~~.
- 2) Clearing Corporation shall cover ~~the its~~ risk through a prescription of:
 - i. Currency-wise Net Debit Caps, for each Member as defined in ~~Sub-regulations A~~ in Chapter V(A).
 - ii. ~~Member specific~~ Margin Factor as defined in ~~Sub-regulations C in~~ Chapter V(C) and collection of margins by way of contribution to SGF in the form of USD/INR cash, securities etc. as prescribed from time to time.
 - iii. ~~Member specific-Currency-wise~~ Exposure Limits ~~for each Member worked out based on balance in Settlement Guarantee Fund (SGF) and the Margin Factor~~ as defined in Chapter V(B) ~~of these Regulations Sub-regulations B.1 below~~

~~Loss Allocation Mechanism as defined in Regulation D (3) in Chapter VI.~~
- 3) ~~The risk exposures on the outstanding trades of the Members shall be controlled through currency-wise exposure limits supplemented by recovery of additional amount as additional initial margin, if stipulated and other form of margins. Marking to market of outstanding trades shall also be carried out to capture risks from notional loss in the outstanding trade positions of the Members;~~
- 4) ~~Clearing Corporation may, after due notification, set prudential limit for each Member in terms of its aggregate outstanding trade exposure on the Member (in terms of total volume of outstanding trades or otherwise, as may be decided by Clearing Corporation from time to time). Such limit may be set by Clearing Corporation based on the Member's nature of business, net worth or such other factors as considered appropriate by Clearing Corporation. In the event of any Member exceeding such limit, Clearing Corporation may set higher margin in the form of concentration margin for the Member in respect of its trades.~~
- 5) ~~Mark to market margin shall be collected based on settlement date-wise net USD buy or sale positions of the member. Such margin shall be computed using the INR/USD 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 prescribed.

B) MARK-TO-MARKET EXCHANGE RATES

- 1) INR/USD exchange Rates for pre-specified tenor points (Cash Date, TOM date and Spot date) shall be taken as basis.
- 2) Rates as above shall be treated as mid-rates which shall then be adjusted for Bid-Offer spreads. Net sale positions of the Members shall be valued using lower rates and net buy positions using higher rates.

C) PROCESS

1. For each Member, Exposure Limit in each currency for each Member shall be worked out on the basis of its balances in SGF (except for the portion earmarked for meeting such Member's Additional Initial Margin, Mark to Market Margin requirements and/or Volatility Margin and Concentration Margin requirements, if any) and the Margin Factor applicable for such Member

Exposure Limit in U S Dollar will be arrived at by dividing the USD balance in SGF (in equivalent USD) of the Member with by the Margin Factor applicable for such Member.

Exposure Limit in Indian Rupee will be arrived at by dividing the USD balance in SGF of the Member (in equivalent INR at a specified rate) by the Margin Factor applicable for such Member,

and expressing the same in rounded USD] and it shall be subjected to a Such amounts are subjected to a maximum ceiling of the Net Debit Cap set for such Member. However, if a Member has opted for a lower Exposure Limit in terms of Chapter (V)(B)(ii), such lower amount would be the ceiling.

Exposure limits for a Member shall be re-worked as and when there is any change in the balance in SGF for such Member (due to withdrawal, deposit or re-valuation, if any) or for any change in the currency-wise NDC or Margin Factor.

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 applicable exposure limit Exposure Limit in USD for the respective Member before acceptance.

Clearing Corporation shall also arrive at the net payable amount in INR 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 applicable Exposure Limit in INR for the Member before acceptance.

3. If ~~such~~ net payable amount as described in clause C(2) above for a settlement date is are found to be within the respective exposure limit Exposure Limit as defined in Sub-regulation B-clause C(1) above or such increased limit as per Chapter V Clause B(v), all such ~~matched~~ trades for such Member shall be accepted for guaranteed-Clearing and sSettlement by Clearing Corporation subject to the Member meeting any additional margin requirements, if any, in terms of clause (E) below. ~~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 as may result in the net payable amount in USD to be within the exposure limit as stated in Sub-regulation B.1 above. Such eExposure monitoring will be on a FIFO basis. Netted position from the Forex Forward segment however will be reckoned for exposure check on a priority basis.~~
4. ~~Such e~~Exposure check shall be carried out online eommence 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 the Member received from the Forex Forward segment. Netted position from the Forex Forward segment however will be reckoned for Exposure Check on a priority basis.
- ~~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 specifically approved by Clearing Corporation as outlined in Sub-Regulation B.4 below.~~
- 2) ~~A Member 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, approved and advised by Clearing Corporation from time to time. The multiplier may vary from Member to Member based on the ratings 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.~~
5. Exposure Control
- a) All eligible trades received directly from Members and/or from Forex Dealing systems shall be subject to checks for adequacy of margin for both counterparties to the trade on a trade by trade basis. This process is henceforth referred to as 'Exposure Check'. Trades which pass through Exposure Check shall be accepted for Clearing and Settlement by the Clearing Corporation.
- b) Exposure check for all Trades shall be carried out on an online basis during the business hours as notified by Clearing Corporation.

- c) All Matched trades including netted positions, if any, received from Forex Forward segment shall be subjected to Exposure Check.
- d) Trades matched post the cut-off time as notified by Clearing Corporation shall be subjected for Exposure Check on the next business day.
- e) 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 INR and USD Exposure Limits availed by that Member and are also adequately supported.
- f) ~~Subject to conditions as may be notified and as set out in Chapter VII of these Regulations, a member may be permitted to avail higher limits upto specified ceilings for other settlement days in Spot window.~~
- f) ~~The Trades which result in a breach either due to inadequacy of eExposure Hlimits in either of the currencies or due to inadequacy of margins, in the of a Member's SGF account in terms of Chapter VII on Risk Management of these Regulations shall remain in queue for exposure check and be eligible for consideration for exposure check as per process prescribed. in terms of Chapter VII () (B) (2) of these Regulations. 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. However, trades received from FX-Clear and/or FX-Swap Dealing System shall be subject to Exposure Check on a post trade basis and could be accepted for Clearing and Settlement by Clearing Corporation even in case of a margin breach. The Member will be under the obligation to meet such margin breach without any delay. deemed to have passed the exposure check and shall be processed for guaranteed settlement.~~
- g) A Member that has availed higher limits in terms of Chapter VB(vi) of these Regulations, shall be required to ensure that the net-positions from its outstanding trades are within the limits allowed for the respective settlement dates and is within the Exposure Limit on the settlement date by the cut off time notified by Clearing Corporation.
- h) In the event the Member continues to be in breach of its Exposure Limit at the prescribed cut-off time on S day, the position in breach shall be Cash Settled as per the process notified by Clearing Corporation:
 - i. The cash settlement shall be effected by way of allocation of such positions first to the Members breaching Exposure Limits in the other currency on S day at the

- notified time, to the extent such allocation is possible without any breach of exposure limit in the counter currency.
- ii. Clearing Corporation shall have the right to allocate the balance amount, if any, to the top ten Members having highest receivable position in the currency of breach. Allocations shall be in proportion to the net receivable position of such Members as per process notified.
 - iii. The deals arising out of Cash settlement shall be with Clearing Corporation as counterparty. Such Members to whom allocations have been made shall be referred as Allocatee Members.
 - iv. Allocation advice would be sent to both, the Allocatee Members and to those Members whose sale positions are cash settled, by Clearing Corporation after the allocation has been effected.
 - v. An allocatee Member may buy U S Dollar/INR, to the extent of allocation, from the market for the same settlement date and if it has done so, it can upon intimation to Clearing Corporation, claim that the allocation of the sale position to it be effected using the rate at which it has purchased U S Dollars/INR as increased/decreased by an amount per USD as notified by Clearing Corporation from time to time. Such intimation must be received by the Clearing Corporation in the format specified before 12:30 p.m. on settlement date for the position considered for allocation.
 - vi. Provided that if the rate at which the Allocatee Member has bought US dollars/INR as above is identified as an outlier by Clearing Corporation or the Allocatee Members do not notify any purchase of US dollars/INR, INR/USD Cash rate as polled by Clearing Corporation at time notified on S day shall be used as increased by an amount per USD as decided by Clearing Corporation in due consultation with the Members and notified by Clearing Corporation from time to time. The decision by Clearing Corporation in this regard would be final.
 - vii. The Member whose sale positions are cash settled due to breach of Exposure Limit on S day shall be liable to make good any amount of loss/shortfall arising out of cash settlement.
- i) Clearing Corporation reserves the right to levy the Member on whose account cash settlement is resorted to such charges and penalty as may be notified from time to time. A Member shall not be permitted to breach its Exposure Limit (i.e. allowed to get ~~USD~~-sale trades in any currency accepted by the Clearing Corporation for Clearing and ~~guaranteed~~-Settlement beyond a limit which may result in net ~~USD~~-sale amount for such Member in such currency 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 specifically approved by Clearing Corporation as outlined in ~~Sub-Regulation clause B.4-C(6)~~ below.

4. 6. Temporary Enhancement of ~~Net-Debit-Cap-Exposure Limit~~

6.1 A Member desirous of a temporary enhancement of the Exposure Limit for a settlement date shall give in writing ~~an advance prior~~ notice ~~of at least 1 business day~~ to Clearing Corporation. 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~~ the respective currency.

6.2 ~~Clearing Corporation may~~ 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/RBI, permit such temporary enhancement over and above the ~~exposure limit~~ Exposure Limit as set out in ~~Para B (i) of~~ Chapter V(B)(i) of these Regulations and as per the process notified.

6.3 Clearing Corporation may also, subject to an overall limit as decided from time to time, enhance the ~~exposure limit~~ Exposure Limit in USD 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 ~~USD the~~ amount for which enhancement is sought. Provided that if such amount has not been credited to the account of Clearing Corporation with its Settlement Bank within the stipulated cut-off time as may be notified, Clearing Corporation shall 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 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. treat the failure to deliver funds before the cut-off time as an instance of delayed payment/shortage in terms of Ch IV (M) of these Regulations and initiate appropriate action.~~

6.4 The Member shall be allowed to utilize the amount pre-funded as per clause (C) (6.2) above towards ~~permitted to withdraw the additional amount deposited as per Sub-regulation B.4.2 above upon fulfillment of obligations in regard to the settlement for the respective settlement date or shall be allowed to utilize this amount for~~ fulfillment of the settlement obligation for the respective settlement date. Any amount deposited in excess of the final net-obligation shall be returned to the Member.

~~4.2—Clearing Corporation may, at the specific request of a Member, consider relaxation in the notice period or such other alteration of the terms of temporary enhancement of NDC subject to such terms and conditions as it may decide from time to time.~~

~~**5—Additional limits for USD buy positions:**~~

~~5.1—Clearing Corporation may, allow a Member to exceed USD buy position limit in addition to the limits set by Clearing Corporation for such Member in terms of 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 also be permitted 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 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—If due to an unforeseen event or circumstances, settlement of USD payout obligation precedes the INR settlement, 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.~~

7. ~~Mark to Market margin shall be applicable for~~
- 7.1 Members shall be liable to maintain mark to market margin in respect of adverse positions on their outstanding forex trades.
- 7.2 Settlement date-wise net USD positions of the Members shall be revalued at the end of the day using the Mark to Market exchange rates as described in Clause (B) above to arrive at the Settlement date wise profits and losses. Such profit or loss will be aggregated Member-wise.
- 7.3 If the above computation shows net MTM loss at an aggregate level, such amount shall be collected as MTM margin from such Member. Any MTM profit, subject to such conditions as notified by Clearing Corporation from time to time, shall be treated as Margin Credit made available to the Member.
- 7.4 A Member's mark to market margin obligation shall be computed as at the end of each business day and shall be valid till its computation as at the end of the subsequent business day.
- 7.5 Provided that, if a trade is not reported by either of the counter-party Members on the day of the trade or even if reported on the day of the trade, if acceptance of such a trade by Clearing Corporation is delayed to a subsequent day due to inadequacy of margin in the account of any of the counter-party Members, Clearing Corporation shall be entitled to recover Mark to Market margin for such trade before acceptance for Clearing and Settlement.
- 7.6 Provided further that if a trade has been done by a Member at a rate which in the opinion of Clearing Corporation is not in line with the market rate prevailing at the time of acceptance, Clearing Corporation shall be entitled to recover the notional loss computed based on such difference in rates between traded rate and market rate, from the Member, as MTM margin, before acceptance of such trade.
- 7.7 If a Member has concluded trades for both buying and selling of U S Dollar for a settlement date and such trades has resulted in a net loss for the Member from offset between buy and sale trades computed on a first in first out basis, such loss would also be payable by the Member as Mark to Market loss.
- 7.8 The mark to market margin on accepted forward positions which enter the spot window shall be transferred to the Forex INR/USD settlement segment;

7.9 Clearing Corporation may also collect intra-day MTM margin in terms of the process as prescribed.

7.10 Any loss/shortfall on account of Cash Settlement of the trades of a Member, over and above the MTM margin collected on such trades, shall be recovered as additional margin at the time of Cash Settlement.

7.11 In the event of failure by a Member to discharge its obligations for a settlement date, the MTM margin, of such Member for such settlement date would be used to meet any shortfall,

~~(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.~~

8 Mark to Market Gains

a) In case net Mark to Market value of accepted trades of a Member as at the end of the day is positive, Clearing Corporation may, after due notification to the Members, allow such amount, net of haircut, if any, as Margin Credit. If such credit is allowed, Clearing Corporation may also adjust such Margin Credit due to any intra-day revaluation of such trades.

b) Margin credits shall also be transferred for forward trades transferred to Forex settlement segment in respect of net positions arising out of forward trades transferred to the Forex Settlement Segment for settlement purposes.

c) Margin Credit shall be withdrawn on the day of settlement after the Final Net Position Report for the day is generated.

d) In the event of such withdrawal of MTM Margin Credit resulting in margin shortfall for any Member, Clearing Corporation shall have the right to withhold the USD or INR funds due to such Member to the extent of such shortfall in terms of Chapter VII (8) of these Regulations.

- e) If settlement proceeds are held back as per clause 8(d) above, the withheld amount would be released by Clearing Corporation 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 Chapter VI(D)(2)(f) relating to "Settlement Shortages and Defaults". The proceeds of such sale shall be credited to SGF account of the Member in the Securities Settlement Segment.

9. Void Trades

1. Notwithstanding any other provisions, Clearing Corporation shall, after due notification of a policy in this regard, have the right to treat a trade as void if it is of the opinion that the trade is executed at a prices that could adversely affect market integrity or if such trade is cancelled by ClearCorp;
2. Clearing Corporation shall also, after due notification of a policy in this regard, have the right to treat trades concluded on the trading system of Clearcorp void in case of any system disruption/malfunction in trade acceptance process,
3. Trades treated as void in such events set out in sub-clause (1) and (2) above shall be deemed to be void ab initio. No liability whatsoever shall accrue to Clearcorp / Clearing Corporation and/or any of its officials for not Clearing and settling such void trades in terms of this provision.
4. Clearing Corporation shall be entitled to recover any liability from any Member arising out of treating the trades as void for the purpose of Clearing and Settlement.

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 the rates decided by Clearing Corporation. It shall be applied on the Members, on the outstanding trades of the Member accepted for Clearing and Settlement. The Members shall be duly notified before any imposition under advise to Members
- 1.2 Such Margin as determined by ~~CCIL~~ Clearing Corporation may be imposed by ~~Clearing Corporation~~ it 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 in a currency 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.

E). ADDITIONAL INITIAL MARGIN

1.1 Members who seek higher Exposure Limits in terms of Chapter V (B) (v) of these regulations shall be required to provide additional margin over and above the initial margin made available by them in terms of Chapter V B (iv) of these Regulations. Such margins will be termed as Additional Initial Margin;

1.2 For arriving at the Additional Initial Margin obligation of a Member, higher of the net USD exposure for all the days in the Spot Window and the net USD exposure in the Spot Window after excluding such exposure on Cash Date in its account will be arrived at. Such amount will be multiplied by one-third of Margin Factor applicable for Spot Date for the Member;

1.3 If the amount as in 1.2 above, exceeds the Initial Margin deposited by the Member, such amount shall be payable as additional initial margin;

F) 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 as prescribed by~~ Clearing Corporation. The Clearing Corporation may also 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 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 balance in SGF account of the Member shall be appropriately increased or decreased, as the case may be. ~~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.

CHAPTER VIII: DEFAULT FUND (NEW CHAPTER)

A. PURPOSE

- i) Clearing Corporation shall maintain a dedicated Default Fund (hereinafter referred to as “DF”) in respect of its Forex Settlement Segment with a view to meeting risks arising out of any default by its Members as set out in this Chapter.
- ii) DF shall be utilized for such purposes as may be provided for in its Bye-Laws, Rules and Regulations.

B. CORPUS

- i) The size of such DF shall be determined by the Clearing Corporation on the basis of stress tests which shall be conducted in a manner as notified by Clearing Corporation from time to time.
- ii) The size of the fund shall be determined at the end of each Month.
In addition, in case any Member resigns from the segment using the option provided under Chapter II(F)(1) and (2) or a Member is declared a Defaulter and its contribution to Default Fund is either utilized or allowed to be withdrawn under insolvency or cessation of membership in any other manner, Clearing Corporation shall re-compute the value of the Default Fund.

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

C. CONTRIBUTIONS

- i) Each Member shall deposit towards DF such sum as shall be notified by Clearing Corporation from time to time.
- ii) The Member’s contribution to the DF shall be determined with reference to the total size of the fund and shall be based on average outstanding trade volume of the member (arrived at as aggregate of settlement date-wise net USD positions in absolute terms): for the period since last re-computation of default fund contribution of the Members with equal weights assigned to each of (a) and (b).
- iii) The minimum contribution of a Member shall be as notified by Clearing Corporation.

D. COMPOSITION

- i) DF shall be formed with contributions from Members in the form of cash and/or eligible Government Securities;

Provided however that Clearing Corporation may specify from time to time after due notification minimum percentage of contribution in the form of cash;

- ii) Clearing Corporation shall specify the eligible securities which qualify for contribution to DF. The list of securities eligible for such contribution shall be notified by Clearing Corporation from time to time. Securities declared as ineligible for DF contribution shall not be reckoned as DF contribution of such Member from the effective date of such ineligibility;
- iii) Clearing Corporation may notify from time to time the maximum amount of a single security or group of securities that a Member may deposit by way of contribution to DF;
- iv) A Member shall at all times ensure that its contributions to DF are adequate to cover its share as per clause (C) above;
- v) Cash contributions to DF shall be in multiples of Rs.1 lac or such other amount as may be prescribed by Clearing Corporation from time to time;
- vi) Members shall arrange to deposit their contributions to DF as per the DF Work Flow Process notified by Clearing Corporation from time to time.

E. ADMINISTRATION

- i) Clearing Corporation shall have absolute discretion / control over the administration / utilisation of cash contributions to Default Fund. Clearing Corporation shall be authorised to invest the cash contributions received from Members in accordance with the Investment Policy of Clearing Corporation.
- ii) The contributions made by Members to DF in the form of securities shall be held in a Constituent SGL Account of Clearing Corporation with RBI. The RBI Rules and Regulations governing Constituent SGL Accounts and such other instructions as are issued by RBI in this regard shall be applicable to this account and all contributions by Members to DF in the form of securities shall accordingly be governed by the said RBI Rules and Regulations and instructions.
- iii) Clearing Corporation shall have the absolute right to utilize any of the securities contributed to DF by any Member and held in the Constituent SGL Account referred to in clause (ii) above in such sequence of application as may be determined by Clearing Corporation to be appropriate.

F. RECEIPTS AND DELIVERIES OF MEMBERS CONTRIBUTION TO DF

- i) The contribution of Members to the DF shall be recomputed at the end of each month or at such intervals as specified in clause 'B' above;

- ii) A Member shall be required to contribute to DF upon notice received from Clearing Corporation. Such deposits shall be payable within a maximum period of seven working days or such other number of days as may be notified by Clearing Corporation from time to time from the date of such demand;
- iii) Members shall be entitled to receive credit for deposits of securities into DF upon receipt of confirmation from Reserve Bank of India (RBI) that the securities have been credited into the Constituent SGL account of Clearing Corporation;
- iv) Members shall be entitled to receive credits for their cash deposits into DF upon receipt of confirmation from RBI of credits into the account of Clearing Corporation maintained with RBI. The impact of such credits in the Members DF shall be reckoned when credit intimation is received from RBI;
- v) Members shall be entitled to withdraw securities from their contributions to DF by giving prior notice as notified by Clearing Corporation from time to time in the format prescribed for the purpose. Provided that if such notice for withdrawal is received in respect of a security at a time when it would be falling into shut period and rendering such delivery impossible, then such notice shall be considered to be invalid;
- vi) Withdrawal of securities by Members shall be permitted only if the Member continues to maintain the balance required after such withdrawal or upon resignation by a Member from the segment as set out in Chapter II (F) of these Regulations;
- vii) Members shall be entitled to substitute securities deposited as contribution to DF by giving prior notice as notified by Clearing Corporation from time to time in the format prescribed for the purpose. Substitution of securities shall be permitted only if the Member continues to maintain the balance required after such substitution. Provided that if such notice for substitution is received in respect of such securities as are falling into shut period and rendering such substitution impossible, then such notice shall be invalid;
- viii) At the time of making requests for substitution, Members shall ensure that the security offered for replacement forms part of the securities eligible for contribution to DF;
- ix) Withdrawal of cash contributions by Members shall be permitted only if the Member continues to maintain the balance required after such withdrawal or upon resignation by a Member from the segment as set out in Chapter II (F) of these Regulations;
- x) Withdrawal of cash contributions by Members shall be with prior notice as notified by Clearing Corporation from time to time in the format prescribed for the purpose.

G. INTEREST ON CONTRIBUTIONS TO DF

- i) Periodical interest receivable by the Members on their securities contributed to DF shall be received by Clearing Corporation for and on behalf of the Members in the manner and mode prescribed by RBI in respect of Constituent SGL Accounts;
- ii) Interest received by Clearing Corporation shall be subsequently transmitted to the Members at the earliest. Clearing Corporation shall not be responsible for any delay in receipt of interest by Members and no claim shall rest with Clearing Corporation on this account;
- iii) Clearing Corporation shall not be responsible for servicing corporate actions on such securities held by Members in its DF which have been declared through appropriate notification as ineligible for DF contribution;
- iv) Members shall monitor their securities contributions to DF to ensure that the securities falling due for redemption are withdrawn from DF well in advance before the redemption date and substituted by eligible securities of equivalent value. In the event of their failing to do so, redemption proceeds receivable by the Members on such securities shall be received by Clearing Corporation for and on behalf of the Members in the manner and mode prescribed by RBI in respect of Constituent SGL Accounts;
- v) Redemption proceeds received by Clearing Corporation shall be treated as cash contribution to DF;
- vi) Clearing Corporation may seek to compensate Members by offering them interest payments at quarterly rests (at the end of every calendar quarter) on their average cash contributions during the relative period at a rate notified by Clearing Corporation from time to time.

H. VALUATION OF SECURITIES IN DF

- i) The securities contributed by Members to DF shall be subjected to a valuation exercise on each valuation day. Clearing Corporation shall carry out valuation daily or at such frequencies as may be notified by Clearing Corporation from time to time. Clearing Corporation shall be entitled, to change the frequency of such valuation after due notification to the Members;
- ii) The valuation of DF securities shall be carried out using the latest available mark to market price as applicable for such securities in Securities Segment of Clearing Corporations;
- iii) Clearing Corporation shall, notify from time to time haircuts on the respective market values as per rates prescribed for the eligible securities from time to time;

- iv) Member contributions to DF shall be subjected to a valuation exercise at every instance of securities deposit and/or withdrawal from its DF or at the end of the business day at the relevant mark to market prices;
- v) Members shall be required to contribute such additional sums to the DF as may be necessary if the value of the securities net of haircuts falls below a threshold level as notified by Clearing Corporation from time to time.

I. UTILISATION

- i) As per Chapter VI(A)(II) relating to Settlement Shortage and Defaults, when a Member is declared defaulter upon its failure to honour its settlement obligation or on failing to pay the required margins or when a Member becomes insolvent, Clearing Corporation may close-out the net-positions of the defaulting members. The loss, if any, arising out of such close-out and any exchange loss as referred in Chapter VI (D)(1)(g) and (D)(2)(f) shall be met by Clearing Corporation by recourse to funds in the following order:
 - a) first, by appropriation of the margin contribution of the defaulting Member;
 - b) next, by applying set-off from defaulter's own contribution to DF.

If the contribution to DF has been made in the form of securities by the defaulter and the securities are required to be sold for appropriation, Clearing Corporation may offer such securities for sale first to the non-defaulting Members of the segment. Based on the quotes received from such Members, Clearing Corporation may offer the security to the highest bidder and such sale shall be binding on Members. If no quotes are received, Clearing Corporation may sell such securities in the market through private arrangement. The price at which such security/securities is/are sold will be binding on the Member.

- c) next, by payment from Clearing Corporation's Settlement Reserve Account, an amount upto a percentage (to be notified) of the balance available in the account at the time of such appropriation.
- d) and last, by allocation of the residual loss to the DF accounts of other Members in proportion to their required contributions to the DF at the time of handling such default.

The amount allocated to the non-defaulting Members shall be recovered from such Members in the form of cash contribution, or by sale of securities contributed by such members to the Default Fund after due notice. The price at which such security/securities is/are sold will be binding on the Members.

- ii). If there is more than one default in a day, defaults shall, subject to Clearing Corporation not having commenced any action on any such defaults, be handled by Clearing Corporation in descending order of the estimated size of shortfall. In case Clearing Corporation has commenced any action on any such default, such default shall not be considered for the descending order priority.
- iii). If there is any allocation of residual loss to the Default Fund account of other Members (i.e. non-defaulter Members) in terms of (I) (i)(d) above, Clearing Corporation shall notify the total amount of such allocation on each such occasion. Clearing Corporation shall also notify the cumulative amount of such usage in the past one year period ending on such date.
- iv). The action of Clearing Corporation as per the above process shall be final and binding on all Members.

The above shall be without prejudice to any other rights of Clearing Corporation against the defaulter.

J. REPLENISHMENT

- i) Members shall be required to contribute to the DF such sums as notified by Clearing Corporation on every revaluation of the DF, in terms of clause 'B' above;
- ii) In the event, that the Member's contribution to the DF has been utilized to meet the shortfall of a defaulter, the Member shall be required to replenish the balance required to fulfill its contribution to the DF, within a maximum period of one working day from such utilization or such other number of days as may be notified by Clearing Corporation from time to time;
- iii) In the event that the Member's contribution to the DF is found to be inadequate to meet the shortfall of a defaulter after allocation of shortfall in terms of clause I (i)(d) above, the Member shall be required to deposit such additional sums forthwith to bring the balance in the account to the required quantum in terms of clause C(ii) above;
- iv) In the event of failure of a Member to contribute to DF within the time period specified as per J(ii) above, Clearing Corporation shall be entitled to bar such Member from participation in this segment and shall further be entitled to close-out the positions of the Member following the process as laid out in Chapter VI (B) of these regulations
- v) The maximum contribution of a Member towards replenishment of its contribution to Default Fund for the Forex Settlement segment in the 30 days' period immediately after

the loss threshold as referred in Chapter II (F)(I)(1)(ii) and (F)(I)(2)(ii) having been reached, shall not exceed 5 times of its contribution to Default Fund based on last re-computation of Default Fund contribution of the Members carried out as per the process described in Clause B(ii) above, subject to a monetary ceiling as notified from time to time. A Member shall not be obligated to contribute any amount in excess of the monetary ceiling during the aforementioned period of 30 days.

- vi) The amounts mentioned in (v) above as maximum contribution for a Member and the threshold as referred in Chapter II (F)(I)(1)(ii) and (F)(I)(2)(ii) shall be reviewed periodically by the Clearing Corporation based on market size, volatility etc. Any change in any of the ceilings as above or in the threshold as stated above due to such review shall be effected after giving a notice of 90 days to the Members.

K. RECOVERIES FROM THE DEFAULTER

- i) If all or part of the contribution of the Member to the DF has been appropriated in accordance with clause I(i)(d) above, Clearing Corporation shall return to each such Member (by credit to its DF account, in the form of cash or eligible securities of equivalent market value) in respect of any net recovery from the defaulting Member pro rata to the respective amounts appropriated and not exceeding the amount of contribution so appropriated;
- ii) If a Member ceases to be a Member of the segment by its resignation or expulsion, Clearing Corporation shall have paramount lien to appropriate the contributions made by the Member to DF first towards meeting any residual loss arising on the squaring off of the contracts of such Member as per clause I (i) (b) and the balance towards recovery of monies towards dues and claims before accepting claims for refund of the contribution to the concerned Member. The refund will also be subject to other Bye-laws, Rules, and Regulations of such segments of Clearing Corporation in which the Member has been admitted.

CHAPTER ~~VIII~~-IX: CHARGES

C) RECOVERY OF FEES AND CHARGES

1. Members shall effect payment of the fees and charges payable by them to Clearing Corporation in terms of their monthly bills (as per ~~sub-Regulation clause~~ (B) above) as may be notified from time to time, by the 10th calendar day of every business month quoting their Member ID and key words as specified in the statement. ~~Members shall be liable to pay penalty on delayed payment of charges as notified by Clearing Corporation from time to time failing which Clearing Corporation shall be entitled to levy penalty on such Member for the delayed payment of charges if it deems fit and appropriate.~~
2. Penalties and/or other levies shall be payable by the Members separately as and when such demand is made on a Member by Clearing Corporation;
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 date of the settlement shortage.

CHAPTER IX: HOLIDAY HANDLING

II. Risk Management process

1. Clearing Corporation shall freeze the Exposure Limits of all 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/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 pre-funding as notified. Provided that if such amount has not been credited to the account of Clearing Corporation with its Settlement Bank within the stipulated cut-off time as may be notified, Clearing Corporation shall treat the failure to deliver funds before the cut-off time as an instance of delayed payment/shortage in terms of Chapter IV(M) of these Regulations and initiate appropriate action. 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.

(ANNEXURE I)

CCIL – Forex Regulations

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

Nature of activity	Cut off Time
Reporting to CCIL for cash and Tom trades	Up to 12.30 p.m. on S day
Reporting to CCIL for spot and forward trades	Up to 12.30 p.m. on S-1 day
Rejection of cash, tom, spot and forward trades due to failure in risk exposure check	1 p.m. on S 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 <u>7:30</u> pm on S day
Issue of Direct Debit Instruction to Member's Nostro	By 2:30 p.m.
Issue of Instructions for payment to Members' account (INR) by CCIL	Before 4:00 <u>7:30</u> pm on S day
Cut-off time for receipt of USD pay-ins from Members	Before 10:30 <u>7:30</u> pm on S day
Issue of Instructions for payment to Members' account (USD) by CCIL	Before 10:30 <u>7:30</u> pm on S day
Cut-off time for receipt of INR pay-ins from Members	Before 7:30 p.m. on S Day

Window of Operations for holding back counter-value in case of shortage/default

Nature of activity	Cut off Time
In case of INR shortage, withhold of USD payment to Members having such shortage	Before 10:00 <u>7:30</u> pm on S day
In case of INR shortage, INR pay-in by Member having such shortage	Before 12:00 noon <u>10:30 a.m.</u> on S+1 day
If INR not received, sale of Dollars to get equivalent INR; else instructions to SA for credit of withheld dollars to defaulting Member	12:00 noon on S+1 day
CCIL repays LOC (INR)	Before 4 p.m. on S+1 day

In case of dollar shortage, debit to INR account of bank causing shortage withhold of INR Payout to Members having such shortage	Before 9:00 a.m. on S+1 day <u>7:30 pm on S day</u>
In case of dollar shortfall, dollar pay-in by Member causing shortage	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

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

~~————— Status of deals as on: ————— (Current date)~~

~~BATCH:~~

~~Member ID: ————— Member Name:~~

Sr.no	Trans.Ref	Counterparty	Related	Trade	Buy	Exchange	Sell	Value
—————	—————	Name	Ref.	Date	Amount	rate	amount	da

~~1. REJECTED DEALS~~

~~2. PENDING EXPOSURE DEALS~~

~~3. ACCEPTED DEALS~~

~~4. PENDING MATCH DEALS~~

~~4. MATCHED DEALS~~

~~5. DEALS TRANSFERRED TO FOREX FORWARD SEGMENT~~

(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~~ Exposure Limit in USD

Date :

Ref.:

CCIL Member ID : XXXXXXXX

Member Name : xxxxxxxxxxxxxxxx

Value Date for which enhancement sought: (date)

Existing ~~Net Debit Cap~~ Exposure Limit: \$xxxxxxxx " "

"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".

THE CLEARING CORPORATION OF INDIA LTD

FOREX SETTLEMENT

Temporary Enhancement of Exposure Limit in INR

_____ Date:

_____ Ref.:

CCIL Member ID : XXXXXXXX

Member Name : xxxxxxxxxxxxxx

Value Date for which enhancement sought: (date)

Existing Exposure Limit: INR xxxxxxxx _____ “

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

Request you to kindly enhance _____ Bank's Net Debit Cap by INR _____ crores".

Schedule for **Batch** Processing

Batch Name	Batch Process timing
Pre-Early morning process Early Morning Batch	8:30 a.m. 10:00 a.m.
Morning Batch	12:00 noon
Cut-off process Batch	12:30 p.m.
Netting process Batch	1:00 p.m.
Afternoon batch	5:30 p.m.
Evening Batch	7:30 p.m.

Please note that the batch timings are indicative.

~~(ANNEXURE VII)~~

Schedule of Reports

Reports	Timings
Deal Status Report	10 a.m., 12:00 noon, 12:30 p.m., 5.30 p.m. and 7.30 p.m.
Net Position Report	1.30 p.m.