

NOTIFICATION

CCIL/OPS/SS/20-21/10

March 12, 2021

OPERATIONS - FIXED INCOME & MONEY MARKET

Process Flow for Allocation of Funds Shortage beyond CCIL's Pre Funded Resources in Securities Segment

To,

All Members,

Madam/ Dear Sirs,

We invite a reference to regulation F 1(1.2) of Chapter VII – “Settlement shortage and default” of Securities Segment Regulation and notify that the Funds shortage beyond CCIL’s pre funded resources would be allocated to those Member/s having net receivable funds position on the same settlement date. Such allocation, shall be as decided by Clearing Corporation preferably among the top ten funds receiving Members, depending on the amount of the shortfall.

The process flow for the Allocation of such funds shortage beyond CCIL’s pre funded resources in Securities Segment will be as under:

A) Securities Segment:

- i. The funds shortage requiring allocation shall be identified for each member in shortage who has a funds pay in for that settlement date;
- ii. It would be then identified from the funds shortage requiring allocation for each member, the shortage that is required to be allocated towards Triparty Repo and Outright/ Market Repo.
- iii. The process for allocation of funds shortage for Triparty Repo and Outright/ Market Repo is given in (B) and (C) below.

B) Triparty Repo

- a. The funds shortage that is required to be allocated for each Member in Triparty Repo, shall further be identified whether such allocation is towards funds payable on account of lending or Borrowing Repayment in Triparty Repo;
- b. Allocatee members for funds shortage on account of lender's shortage in Triparty Repo shall be members receiving funds in the same TREP ID on account of borrowing. Allocatee members on account of Borrower Repayment obligations shall be member/s who receive funds on account of previous lending. ;
- c. The funds receivable position for the allocatee member shall be identified based on the process as in (b) above. Further, allocatee member for lender shortage and borrower repayment shortage, shall be sorted separately starting from the member having highest funds receivable position and then in descending order as per each member's funds receivable position; ;
- d. The allocation to allocatee member/s, shall be to the first ten members having highest net funds receivable position up to 50% of their receivable position. Then to the next ten members up to 50% and so on. After allocation up to 50% of receivable position, in case there is a residual funds shortage requiring allocation, then allocation for residual amount shall start with the top ten members for the remaining 50%, then the next ten and so on. In case allocation required at any stage above is less than 50% of the amount identified for allocation, then allocation shall be in proportion to their receivable amount.
- e. In case, allocation is on account of lender's shortage, the Borrow Limit of the allocatee member shall be released to the extent of allocation. In case such allocation is on account of borrowing repayment shortage, then such member's Borrowing Limit shall be withheld;

In case of allocation on account of repayment shortage and non-replenishment by the member in shortage, CCIL shall sell the withheld securities and other collaterals, if required, deposited by the member in shortage, and replenish the shortfall to members.

C) Outright and Market Repo

- a. Funds shortage identified to each member for allocation towards outright/ market repo shall be allocated to allocatee member's having funds receivable position on account of outright/ market repo.;
- b. The funds receivable position for the allocatee members towards outright/ market repo, shall be sorted starting from the member having highest funds receivable position and then in descending order i.e. next highest and so on;
- c. The allocation to allocatee member/s, shall be to the first ten members having highest net funds receivable position up to 50% of their receivable position. Then to the next ten member up to 50% and so on. After allocation up to 50% of receivable position, in case there is a residual funds shortage requiring allocation, then allocation for residual amount shall start with the top ten members for the remaining 50%, then the next ten and so on. In case allocation required at any stage above is less than 50% of the amount identified for allocation, then allocation shall be in proportion to their receivable amount;
- d. Allocatee Members will be compensated from the securities receivable by the member-in-shortage valued at derived price. Derived price will be the price arrived at by CCIL based on the member-in-shortage's net security receivable obligation and the net funds payable obligation in each ISIN for that settlement date. The allocatee member will be allowed to claim compensation to the extent of price loss if allocatee member sells that security on the next business day and such sale price is lower than the allocation price. Such price loss claimed will also be recovered by CCIL from the member-in-shortage.

The above notification shall be effective from 15th April 2021 .

For: The Clearing Corporation of India Limited

Sd/-

Authorised Signatory