



THE CLEARING CORPORATION OF INDIA LTD.

NOTIFICATION

Date: March 3, 2015

Notification No.: CCIL/FX/USD-INR/15/16

**All Member Banks
Forex Settlement Segment**

Dear Sir/Madam,

Re: Cash Settlement Process – Forex Settlement Segment.

In terms of Chapter VII(C)(5)(h) of the Forex Settlement Regulations, a Member shall be required to ensure that its net-position in USD and INR for a settlement date (S Day) based on all its trades accepted for settlement are within the Exposure Limit by the prescribed cut-off time on S day. The cut-off time shall be 11:00 a.m. In the event, the Member continues to be in breach of its Exposure Limit at 11:00 a.m. on S day, the position which remains in breach shall be Cash Settled.

The process of Cash settlement shall be as follows:

I) Cash Settlement Process

The cash settlement process shall be as set out in Chapter VII(C)(5)(h) of the Regulations of the Forex Settlement Segment.

II) Cash Polling Process

In terms of Chapter VII(C)(5)(h)(vi), the rate used for Cash Settlement shall be arrived at using the INR/USD Cash Rate. The INR/USD Cash rate shall be polled by Clearing Corporation at around 11:00 a.m. on S day. Clearing Corporation has entered into an understanding with ten banks for providing the indicative “**Cash Outright Buying Rate**” as and when called upon by Clearing Corporation for the above purpose. The cash rate to be used for Cash settlement process shall be polled by Clearing Corporation at 11:00 a.m. The request for quote shall be made to five banks chosen at random out of the ten over FX-Clear Negotiation or telephonically. The weighted average rate of the rates indicated by five banks shall be used for Cash settlement. Further, a compensation

of **1 paisa** shall be added in the event of a cash settlement for a USD breach and a compensation of 1 paisa shall be reduced in the event of cash settlement for a INR breach to the rate at which the Cash Settlement is effected. As explained in Chapter VII(C)(5)(h), the allocatee member may buy US Dollars/INR from the market for the same settlement date to the extent of allocation and if it has done so, it can upon intimation to Clearing Corporation, claim that the cash settlement be effected using the rate at which it has purchased US Dollars/INR duly increased/decreased with the compensation amount. Clearing Corporation shall modify the rate used for Cash settlement accordingly. However, if the rate is identified as an outlier, Clearing Corporation may reject the request and continue to use the polled rate for the purposes of Cash Settlement.

In case of cash settlement for a USD breach, a rate will be treated as an outlier if it is 5 paisa per US Dollar away from the highest Cash rate arrived at by Clearing Corporation based on the highest dealt Spot Rate from Clearing Corporation's FX CLEAR trading platform between 11:00 a.m. and 12.30 p.m. adjusted for lowest Cash/Spot premium (highest in case USD is in discount) for the day as per Reuter Information System page INR1F=.

Similarly, in case of a INR breach a rate will be treated as an outlier if it is 5 paisa per US Dollar away from the lowest cash rate arrived at by Clearing Corporation based on the lowest dealt Spot Rate from Clearing Corporation's FX CLEAR trading platform between 11:00 a.m. and 12.30 p.m. adjusted for highest Cash/Spot premium (lowest in case USD is in discount) for the day as per Reuter Information System page INR1F=.

In case, any such rate is not available, CCIL will be entitled to use the indicative rate available from any other source based on availability.

III) Penalty on Cash Settlement

In terms of Chapter VII (C) (5) (i) of the Forex Settlement Segment Regulations, Clearing Corporation reserves the right to levy penalty on the member on whose account Cash Settlement is resorted to.

Accordingly, a penal charge of **0.01%** shall be levied on the amount Cash settled. RBI reference rate for the settlement day shall be used as the basis for conversion of the amount cash settled in rupee terms. The penalty shall be payable in INR.

Further, in terms of Chapter VII (C) (5) (h) (vii) Members whose sale positions are cash settled due to breach in exposure limits on S day shall make good any loss /shortfall arising out of cash settlement

This notification shall be effective from **April 6, 2015 onwards**.

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

sd/-

Managing Director