



NOTIFICATION

Date: March 3, 2015

Notification no.: CCIL/FX/USD-INR/15/17

**All Members
Forex– USD/INR Segment**

Re: Shortage Allocation process in USD and INR in the Forex Settlement Segment.

In terms of Chapter VI(D) (1) & (2) of the Forex Settlement Segment Regulations, in the event Clearing Corporation is unable to fully meet the shortage, the residual amount, (*i.e., the amount by which the shortage exceeds the available resources*) shall be apportioned among the Members, who have a net receivable position in the currency of shortage from Clearing Corporation in terms of allocation process given below:

USD Shortage Allocation Process

- i. In the event any member fails to pay USD funds to CCIL towards its settlement obligation, the lines of credit (LOC) shall be availed by CCIL and the USD settlement shall be completed.
- ii. If the USD shortfall exceeds the available LOC, shortfall amount exceeding the LOC shall be apportioned to members having USD receivable from CCIL. Such shortfall shall be allocated to the top 10 members having Dollar receivable from CCIL.
- iii. The allocation would be in proportion to their receivable position from CCIL and shall be restricted to maximum 50% of their respective receivable amount.
- iv. In case CCIL is unable to apportion the shortage to the top 10 members, the balance shall be apportioned to the next 10 banks having dollar receivable position in proportion to their receivable position from CCIL and this process shall continue until the allocation is completed. However, allocation may exceed 50% only if there is unallocated shortfall even

after allocation of shortfall to all members having receivable amount in the first phase. The final allocation amount shall be known at the approved PVP cut-off time.

- v. CCIL shall with-hold the counter-value INR funds of the member with shortage in terms of Chapter VI (B) (2) of the Forex Settlement Segment Regulations.
- vi. CCIL shall retain the equivalent INR funds of the members which were given less USD due to shortfall allocation.
- vii. On the next business day, if the member(s) causing the shortfall replenishes the funds, the members who have been allocated USD short, would be paid USD funds by CCIL.
- viii. In the event the member(s) causing shortfall, does not replenish the funds, CCIL would sell the counter value INR withheld previous day to raise USD funds and the members who have been allocated USD short, would be paid by CCIL.
- ix. The members who have been allocated the shortfall would be entitled to receive interest at the rate of Fed Fund rate prevailing on the day of shortage plus 200 basis points or receive the funds with good value. Such interest shall be paid/back valuation effected upon recovery of interest from the member(s) in shortfall.

INR Shortage Allocation Process

- i. The INR file would be processed by first debiting the members who have INR payable to CCIL.
- ii. In the event any member fails to fund its INR account, the lines of credit (LOC) shall be availed by CCIL and the INR settlement shall be completed in all normal circumstances.
- iii. If the INR shortfall exceeds the available LOC, shortfall amount exceeding the LOC shall be apportioned to the members having INR receivable from CCIL. Such shortfall shall be allocated to the top 10 members having INR receivable from CCIL.
- iv. The allocation would be in proportion to their receivable position from CCIL and shall be restricted to maximum 50% of their respective receivable amount.
- v. In case CCIL is unable to apportion the shortage to the top 10 members, the balance shall be apportioned to the next 10 banks having INR receivable position in proportion to their receivable position from CCIL and this process shall continue until the allocation is completed. However, allocation may exceed 50% only if there is unallocated shortfall even after allocation of shortfall to all members having receivable amount in the first phase. The final allocation amount shall be known at the approved PVP cut-off time.

- vi. CCIL shall, in terms of chapter VI(B)(1), of the Forex Settlement segment regulations, withhold the counter-value USD funds of the member with shortage.
- vii. CCIL shall retain the equivalent USD obligation of the members which were given less INR due to shortfall allocation.
- viii. On the next business day, if the member(s) causing shortfall replenishes the funds, the member(s) who have been allocated INR short, would be paid by CCIL.
- ix. In the event the member(s) causing shortfall does not replenish the funds, CCIL shall sell the counter value Dollar withheld the previous day to raise INR funds, and the members who have been allocated INR short, would be paid by CCIL.
- x. The members who have been allocated the shortfall would be entitled to receive interest at the NSE MIBOR prevailing on the day of shortage. Such interest shall be paid upon recovery of interest from the member(s) in shortfall/default.

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

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

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Managing Director