

## Risk Management Department

No. RMD/DRV/23/06

14<sup>th</sup> Feb 2023

All Member Banks

Rupee Derivatives (Guaranteed Settlement) Segment

**Rupee Derivatives (Guaranteed Settlement) Segment – Resignation from membership**  
**Loss Threshold as per Chapter II, Clause E1 (iii)(b)**

We invite your attention to our Notification No. RMD/DRV/18/106 dated 17<sup>th</sup> Oct'18. With the commencement of clearing services for trades referenced to Modified MIFOR benchmark, the afore-mentioned notification has been revised and the changes implemented have been underlined.

2. In terms of Clause A Chapter IX of the Regulations for the Rupee Derivatives and Rupee Derivatives (Guaranteed Settlement) Segment, Clearing Corporation shall maintain two separate Default Funds in respect of its Rupee Derivatives (Guaranteed Settlement) Segment. The first (hereinafter referred to as “MIBOR & MIOIS -Default Fund”) would be maintained with a view to meeting losses arising out of any default by its Members from trades referenced to the MIBOR OR MIOIS benchmarks. The other Default Fund (hereinafter referred to as “MIFOR-Default Fund”) would be maintained for meeting losses arising out of any default by its Members from trades referenced to the MIFOR & MMFOR benchmarks. In terms of Clause E1(iii)(b) Chapter II of the Regulations for the Rupee Derivatives and Rupee Derivatives (Guaranteed Settlement) Segment, a member shall have the right to submit resignation from the membership of the Rupee Derivatives (Guaranteed Settlement) segment if it has taken a cumulative loss through replenishment of its contribution to any one / both the Default Funds in this segment and a loss threshold as notified has been reached.

3. The loss threshold as referred therein will be reached when Default Fund contributions of the non-defaulter members in this segment have been used up in the past 12 months for meeting defaults of other members to the extent of twice the value of the combined Default Fund quantum (i.e. cumulative across all benchmarks in which clearing services are being availed) in this segment as on the date of last regular monthly re-computation. For example, if the cumulative Default Fund quantum for the segment is at Rs 500 Crores (Rs. 400 crores for MIBOR & MIOIS-DF and Rs. 100 crores for MIFOR DF) at the time of last re-computation (i.e. last month-end), for non-defaulting members who avail clearing services for one or more benchmark under both Default Funds ~~in both MIBOR & MIOIS and MIFOR benchmarks~~, the threshold will be reached if the contributions of the non-defaulters members used for meeting defaults of other members in past 12 months reaches Rs 1000 Crores. Such threshold will be applicable for all such members and may be reached by contribution to either MIBOR & MIOIS- Default Fund or MIFOR Default Fund or to both default funds. For members availing clearing services for one or more benchmark under a single Default Fund ~~in a single benchmark~~, only the quantum of that respective DF benchmark will be considered for this purpose.

4. In addition, if a member has taken a cumulative loss through replenishment of its contribution to any one / both the Default Funds for the segment for meeting defaults of other members and the total amount of such loss in the past 12 months is in excess of 4 times its highest cumulative contribution to both default funds during this period, the threshold as in 2 will be considered as reached exclusively for the said member.

For example, if the combined size of the MIBOR & MIOIS and MIFOR Default Fund (MIBOR & MIOIS - DF – Rs. 400 crores and MIFOR DF – Rs. 100 crores) for a segment is Rs 500 Crores at the time of last re-computation (i.e. last month-end), threshold for all such members will be reached if the use of contributions of non-defaulter clearing participants to MIBOR & MIOIS and MIFOR (combined together) default funds for meeting defaults of other clearing participants reaches Rs 1,000 Crores in the past 12 months. However, if the use of contributions of non-defaulter clearing participants is at Rs 900 Crores (i.e. at less than Rs 1,000 Crores); but for a member which has contributed say Rs 200 Crores towards its default fund contribution (MIBOR & MIOIS default fund and MIFOR default fund combined) for

meeting the shortfall due to default by other members and cumulative highest contribution of the said member in the past 12 months to both the default funds has been less than Rs 50 Crores (i.e. it has already contributed more than 4 times of its highest contribution in past 12 months for meeting default of other clearing participants), the threshold will be considered as having reached for the said member.

5. In terms of Clause ~~J(5)~~ **J(6)** of Chapter IX these Regulations, the maximum contribution of a member (who chooses to resign from the segment) towards replenishment of its contribution to any / across both the Default Funds in the 30 days period from the receipt of resignation after the loss threshold as defined in paras 3 and 4 above having been reached shall not exceed 5 times of its cumulative contribution to the said Default Funds based on the last re-computation of the Default Funds for this segment or Rs.6,250 Crores whichever is lower.

6. This notification will come into effect from **03<sup>rd</sup> April, 2023** and supersedes our notification No. RMD/DRV/18/106 dated 17<sup>th</sup> Oct'2018 in this regard.

**For The Clearing Corporation of India Ltd.**

**Sd/-**

**Managing Director**

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