



## Risk Management Department

**This has been Superseded by Notification No. RMD/SS/21/27  
dated 01-Sept-2021 on Securities Segment Default Fund  
(revised and updated)**

No. RMD/ CBLO/16/42

25<sup>th</sup> Aug'16

**FOR INFORMATION OF ALL MEMBERS**

### **CBLO Segment**

### **Default Waterfall**

In terms of the provisions of Chapter XIV, “Default Fund” of the Regulations of the CBLO Segment, Clearing Corporation shall maintain a dedicated Default Fund (DF) for its CBLO Segment with a view to meeting risks arising out of any default by the members of this segment in discharging their obligations.

2. In terms of para I (1) (c) of the afore-mentioned Chapter, the Clearing Corporation shall notify the percentage of the balance in its Settlement Reserve Fund (SRF) that it shall contribute at the time of any default, for handling the shortfall arising out of such default. It has now been decided that the Clearing Corporation will contribute up to 5% of the balance in its Settlement Reserve Fund (SRF) at the time of meeting the shortfall.

3. As a consequence thereof, in terms of Chapter XIV, the loss on account of a participant default 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;
- c. next, by payment from Clearing Corporation’s Settlement Reserve Account, an amount up to 5% 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

This notification shall be effective from **03<sup>rd</sup> October'2016 onwards.**

Yours faithfully,

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

**Sd/-**

**Managing Director**