



**This has been Superseded by Notification No. RMD/
DRV/21/30 dated 01-Sep-2021 on Default Fund & Stress test
Methodology (revised and updated)**

RMDDRV/16/63

3rd November, 2016

FOR INFORMATION OF ALL MEMBERS

Rupee IRS Derivatives Segment

Replenishment of Contribution to Default Fund

We invite your attention to our notification no. [RMD/ DRV/16/13 dated 01st Jun'16](#) on [Default fund](#).

In terms of the requirements under PFMI for CCPs, CCIL is required to maintain sufficient prefunded resources to cover highest stress loss arising from default of a participant and its affiliates under extreme but plausible market conditions. These resources include CCIL's contribution earmarked for various segments from Settlement Reserve Fund (SRF), termed as CCIL's skin-in-the-game and member contributed default fund.

2. Currently, the size of member contributed default fund is revised on a monthly basis at the end of the month. The size of default fund is based on the highest stress loss of a participant and its affiliates in the preceding six months period along with highest stress losses of five weak entities. Members are given 7 working days' time to deposit their contributions. The resized default fund becomes effective from the eighth working day of the month. However, there is no provision to make calls for additional contributions to default fund from any member during the month even if the stress loss on any given day exceeds pre-funded default handling resources.

3. In this context, it has been decided to modify the process as under:

- a) In the event of highest stress loss on account of a participant and its affiliates exceeds 95% of CCIL's pre-funded default handling resources (i.e. 95% of amount earmarked for the segment from SRF and member contributed default fund) under any stress test scenario, additional default fund contributions will be called from all participants of the segment, to the extent by which the stress loss exceeds 95% of



THE CLEARING CORPORATION OF INDIA LTD

pre-funded default handling resources. This call for additional contributions will be made on the day stress test results indicate a breach of resources.

- b) The additional contribution will be called from participants pro-rata based on the average outstanding gross trade volume and average Initial Margin Contribution during the previous month-end computation of default fund, with equal weights assigned to each (as mentioned in Para 3 of our notification no. RMD/ DRV/14/08 dated 12th Mar'14).

- c) The additional contributions to the default fund will be made on account of;
 - i) monthly revision of default fund or
 - ii) stress loss breaching available resources (Para. 3a above) or
 - iii) actual default and resultant usage of non-defaulter's default fund contribution

The additional default fund contributions will have to be furnished to CCIL **before 11:00 A.M of next business day.**

4. The change in the process shall be effective from **05th Dec'16.**

Yours faithfully,

For The Clearing Corporation of India Ltd.,

Sd/-

Managing Director
