



Risk Management Department

**This has been Superseded by Notification No. RMD/FX/
USD-INR/21/28 dated 01-Sep-2021 on Default Fund
(revised and updated)**

No. RMD/FX/USD-INR/15/20

March 3, 2015

FOR INFORMATION OF ALL MEMBERS

**Forex Settlement Segment
Contribution to Default Fund**

In terms of the provisions of Chapter VIII of the Regulations of the Forex Settlement Segment, it has been decided that Clearing Corporation shall maintain a dedicated Default Fund in respect of its Forex Settlement Segment with a view to meeting risks arising out of any default by the members of this segment in discharging their obligations. The Default Fund will come into effect from 6th April' 15.

2. The size of the fund will be determined as specified in Clause B of Chapter VIII of the said Regulations and will be reviewed at the end of every month.
3. In terms of Clause C of Chapter VIII, the member's contribution to the DF shall be determined with reference to the total size of the fund and shall be based on the average outstanding trade volume of the member (*arrived at as aggregate of settlement date wise net USD positions in absolute terms*). *The minimum contribution of a member shall be Rs.1 Crore.*
4. In terms of Clause D of Chapter VIII, the individual contributions towards the fund may be in the form of cash and / or eligible Government Securities. All Central Govt. Securities (*except Special Securities*) including STRIPS created out of these securities and Treasury Bills (including Cash Management Bills) will automatically be eligible for deposit towards the Default Fund. A list of eligible Securities is enclosed as Annexure I. Any new security becoming eligible for deposit towards the Default Fund will be notified to the members.
5. The administration of the collateral deposited towards the Default Fund will be in terms of the provisions of Clause E of Chapter VIII of the Regulations.



6. All deposits, withdrawals and substitutions of the contributions towards the Default Fund will be governed by the provisions of Clause F of Chapter VIII of the Regulations.
7. Payment of interest earned by the members on their securities contributed to the Default Fund will be as governed by Clause G of Chapter VIII of the Regulations. Interest on cash contributed will be paid net of cost and other expenses on a quarterly basis.
8. In terms of Clause H, the securities contributed by the members towards Default Fund will be valued daily at end of the day. If the value of the securities net of haircuts falls below a threshold level as notified by Clearing Corporation from time to time, members shall be required to contribute such additional sums to the Default Fund as may be necessary. To start with, the threshold level will be set at 95%.
9. The utilisation of the Default Fund in the event of a default will be governed by the provisions of Clause I of Chapter VIII of the Regulations. The events triggering replenishment of the member's contribution to the Default Fund and the procedure for such replenishment will be governed by the provisions of Clause J of the Regulations.

This notification shall be effective from **06th April, 2015 onwards.**

Yours faithfully,

For The Clearing Corporation of India Ltd.,

Sd/-

Managing Director

Annexuure

(list of eligible securities to be inserted)