



## Risk Management Department

No. RMD/SS/16/24

04<sup>th</sup> Jul'16

**FOR INFORMATION OF ALL MEMBERS**

### Securities Segment

#### Default Waterfall

In terms of the provisions of Chapter XIV, “Default Fund”, of the Regulations of the Securities Segment, Clearing Corporation shall maintain a dedicated Default Fund (DF) for its Securities 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 XIV of these Regulations, the Clearing Corporation shall contribute up to 10% 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 10% 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 05<sup>th</sup> Aug' 16.

Yours faithfully,

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

**Sd/-**

**Managing Director**