



THE CLEARING CORPORATION OF INDIA LTD

Risk Management Department

No. RMD/SS/19/40

09 Sep'19

FOR INFORMATION OF ALL MEMBERS

Securities Segment

Dear Sir/Madam,

Changes to the Regulations of the Securities Segment

Members are hereby advised that the Regulations of the Securities Segment have been amended to strengthen CCIL's risk management framework by incorporating the following clauses:

- i) Hike margins / Reduce limits based on short-term credit rating / grading
- ii) Take assistance from an external rating agency to obtain short-term credit ratings
- iii) Impose restrictions in case of any adverse developments in respect of any member

2. The changes to the Regulations of the Securities Segment to this effected, are enclosed as

Annexure.

3. The updated Regulations are available on our website (www.ccilindia.com) under Membership section and shall be effective from **October 14, 2019**.

Yours faithfully,

For The Clearing Corporation of India Ltd.,

Sd/-

Managing Director



THE CLEARING CORPORATION OF INDIA LTD

Annexure to Notification No. CCIL/RMD/SS/19/

THE CLEARING CORPORATION OF INDIA LIMITED

**CHANGES TO REGULATIONS
(Securities Segment)**



THE CLEARING CORPORATION OF INDIA LTD

CHAPTER I: INTRODUCTION

1. Introduction

These Regulations shall be known as The Clearing Corporation of India Limited (Securities Segment) Regulations, 2009 as amended in ~~November 2018~~ October 2019.

CHAPTER VIII: RISK MANAGEMENT

A). SCOPE OF RISK MANAGEMENT PRACTICES

I. Outright and market repo trades (other than Triparty Repo trades)

1. Clearing Corporation shall cover its risk through prescription of initial margin, mark-to-market margin, volatility margin and concentration margin;
2. Notwithstanding anything contained herein, Clearing Corporation shall have the sole discretion to improve upon and perfect its practices relating to risk containment measures from time to time;
3. The values of outstanding trades shall be converted into equivalent risk exposure numbers by using security specific risk exposure factors (expressed in terms of percentage based on "Value at Risk" or such other means as may be decided by Clearing Corporation) and each Member shall be required to provide for initial Margin to the extent of such amounts as corresponds to Member's value of outstanding trades. Clearing Corporation shall be entitled to modify the risk exposure factors at such periodicity as it may deem fit;
4. Clearing Corporation, after due notification, may be entitled to set higher margin factors for different Members, based on the credit assessment by Clearing Corporation.
Clearing Corporation may take the assistance of any reputed Rating Agency for arriving at such ratings and the decision of Clearing Corporation in regard to the selection of agency or in regard to the ratings arrived at for the Members shall be final and binding on the Members.



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Notwithstanding the credit rating/grading, Clearing Corporation may hike margins in case of any regulatory actions/deterioration in financial position/adverse market report etc.

5. Clearing Corporation may, after due notification, set prudential limit for each Member in terms of its aggregate outstanding trade exposure of the Member (in terms of total consideration or otherwise, as may be decided by Clearing Corporation from time to time). Such limit may be set by Clearing Corporation based on the Member's nature of business, net worth or such other factors as considered appropriate by Clearing Corporation. In the event of Members exceeding such limit, Clearing Corporation may be entitled to set higher margin for the Member in respect of trades which are in excess of such limits;

6. Clearing Corporation may set additional initial margin for trades conducted by a Member at off-market prices. Such margin shall be payable by the seller of the security if the prices are set lower than market price, or by the buyer of the security if the prices set higher than the market price. Such margin shall be equal to the difference between the traded price and the market price;

Such margin shall be released after the concerned trade is mark to market margin and mark to market margin on such trade has been actually collected from the concerned counterparty;

7. The mark to market margin shall be worked out based on the price movements on the underlying securities corresponding to each trade. For computing price changes, mark to market price as described in sub - Regulation (B) below shall be compared against the trade price.

II. Triparty Repo trades

1. Clearing Corporation shall adopt the following risk management practices for Triparty Repo trades:
 - i. Clearing Corporation shall cover its risk by prescribing borrowing limit, initial margin, mark-to-market margin and volatility margin. The securities in the TPR GILT Accounts of the Member shall be subjected to a valuation exercise during the day and at the end of



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each business day to ensure that the borrowings of the Member are fully collateralised at any point of time and its initial margin obligations stands fully met. The valuation shall be carried out using the mark to market price computed by Clearing Corporation;

- ii. Clearing Corporation may, at its discretion, specify rates of haircut in percentage terms for all eligible securities as collateral in terms of Regulation B (3) of Chapter IV. Such haircut rates shall be applied on the mark to market price of such securities. Clearing Corporation shall have the authority to modify such rates at such periodicity as it may deem fit;
- iii. Clearing Corporation may, at its discretion and after due notification, set different set of haircut rates for different classes of Members, based on their nature of business, net worth or such other factors as may be decided by the Clearing Corporation from time to time;
- iv. Clearing Corporation may, after due notification, set Single order Limit/prudential limit for each Member in terms of its aggregate outstanding orders or trades. Such limit may be set based on their nature of business, net worth, credit rating/grading or such other factors as may be decided by the Clearing Corporation from time to time. In the event of Member exceeding such limit, Clearing Corporation shall be entitled to set higher initial margin rates for the Member in respect of trades which are in excess of such limits. Clearing Corporation may take the assistance of any reputed Rating Agency for arriving at such ratings and the decision of Clearing Corporation in regard to the selection of agency or in regard to the ratings arrived at for the Members shall be final and binding on the Members.

Notwithstanding the credit rating/grading, Clearing Corporation may impose restrictions on the exposure limits in case of any regulatory actions/deterioration in financial position/adverse market report etc.