



THE CLEARING CORPORATION OF INDIA LTD

Risk Management Department

No. RMD/DRV/20/80

31st Dec'2020

FOR INFORMATION OF ALL MEMBERS

Rupee Derivatives Segment

Dear Sir/Madam,

Changes to the Regulations of the Rupee Derivatives Segment

Members are hereby advised that the Regulations of the Rupee Derivatives Segment have been amended to facilitate an auction based liquidation of a defaulter member's portfolio of outstanding rupee derivative trades referenced to the MIBOR and MIOIS benchmark. If the defaulter's portfolio of outstanding trades includes rupee derivative trades referenced to the MIFOR benchmark, CCIL's extant default handling process will be used to close out such trades.

2. The chapters of the Regulations which have been modified for both these segments are as under:

i.	Definitions	New definitions introduced as part of the revised auction based default handling process in the Rupee Derivatives Segment.
ii.	Default	The handling of default by a member has been revised to include auction based default handling process for trades linked to MIBOR and MIOIS benchmarks. Additional recovery tools to be used in case of a participant default have also been introduced in the Rupee Derivatives Segment.
iii.	Default Fund	Provision to call for replenishment of default fund by non-defaulting members in cash has been introduced in the Rupee Derivatives Segment. Provision to utilise default fund of non-defaulting members in case of a participant default as per non-defaulting member's performance in auction has



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		been incorporated in the default waterfall structure in the Rupee Derivatives Segment.
iv.	Default Management Committee	New Chapter introduced for provisions to govern the Default Management Committee which will be established for the purpose of advising and assisting the Clearing Corporation in administration / management / handling of a default by a Member and in other related matters in the Rupee Derivatives Segment.

3. We append the changes to the Regulations of the Rupee Derivatives Segment as Annexure. The updated Regulations are made available on our website (www.ccilindia.com) under the Membership tab.

4. We advise that the changes to the Rupee Derivatives and Rupee Derivatives (Guaranteed Settlement) Segment Regulations shall come into effect as on 01st February, 2021.

Yours faithfully,

For The Clearing Corporation of India Ltd.,

Sd/-

Managing Director



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Annexure

CHANGES TO REGULATIONS
***RUPEE DERIVATIVES AND RUPEE DERIVATIVES (GUARANTEED
SETTLEMENT) SEGMENT***



DEFINITIONS

- 1) **Allocation of Defaulter's portfolio** shall mean allocation of part/ whole of the Defaulter's Portfolio to non-defaulters at a price determined by Clearing Corporation.
- 2) **Assessment Calls** shall mean resources called from non-defaulting Members to replenish the Default Fund when losses on default handling exceed Prefunded Default Handling Resources.
- 3) **Auction** shall mean an auction of the Defaulter's Portfolio.
- 4) **Auction Pool / Bucket** means the Defaulter's Portfolio has been split into multiple portfolios to enhance the efficiency of the auction process, each such portfolio shall be referred to as an Auction Pool / Bucket. Where the defaulter's entire portfolio is auctioned without any split, such portfolio will constitute a single Auction Pool / Bucket.
- 11) **Default Management Committees (DMC)** shall mean committees established by the Clearing Corporation for purposes of advising and assisting the Clearing Corporation in administration / management / handling of a default by a Member and in other related matters. Each DMC is governed by the provisions set forth in Chapter XVI of Regulations of this segment.
- 12) **Default Management Period** means the period commencing on the day that Clearing Corporation declares a Member as defaulter, and shall conclude on the Default Management Period End Date.
- 13) **Default Management Period End Date** means the Business Day following the declaration by the Clearing Corporation that:
 - (a) a matched book as provided for in para D E II) A) (4) of Chapter VII of these Regulations has been restored and close-out as provided for in para D E II) B) of Chapter VII of these Regulations has been completed and the obligations, losses or expenses incurred or sustained by the Clearing Corporation in connection with the default of Member(s) are known, or can reasonably be determined, and have been satisfied or settled; and



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(b) any of the actions, rights or remedies available to the Clearing Corporation with respect to the default of any Member that were deemed necessary by the Clearing Corporation have been taken and duly completed;

- 14) Defaulter's portfolio** shall mean and include the positions of the Defaulter accepted for clearing and settlement and may include hedge trades (if there be any) done to neutralize partially/ fully the market risk of such positions.
- 22) Juniorisation** means a process whereby for each auction pool, the Clearing Corporation shall rank non-defaulting Members based on their performance in auction such that the Default Fund contributions of some non- defaulting Members are appropriated prior to that of others.
- 24) Matched Book:** Clearing Corporation shall be said to have a matched book when its obligations to some Members arising out of trades cleared by it are matched by obligations of remaining Members to the Clearing Corporation on account of such trades.
- 31) Multi-unit Discriminatory Price Auction** shall mean an Auction where multiple identical units of each Auction Pool are made available and considerations paid/ received by winning bidders are at prices at which the bidders have won their respective units fully/partially.
- 41) Reserve Price** shall mean the lowest payment that the Clearing Corporation shall be willing to receive from a Member or the highest payment that it shall be willing to pay to a Member in case of a hedging transaction or to a winning member in an Auction.
- 46) Single-unit Auction** shall mean an Auction where an Auction Pool will be available as a single unit.
- 47) Tearing-Up of trades** shall mean the process of closing out of Trades before the termination date where such close-out is initiated by the Clearing Corporation as part of its Default Management Process.



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The Regulations shall be known as The Clearing Corporation of India Ltd (Rupee Derivatives Segment) Regulations 2010 and as amended in ~~2019~~ December 2020.

CHAPTER VII : SETTLEMENT SHORTAGE & DEFAULTS

The provisions of this chapter shall be applicable only to those Members of Rupee Derivatives (Guaranteed Settlement) Segment.

I Settlement Shortage:

Failure of a Member to discharge either its proprietary or its Constituent's obligation to pay funds due from the member at the time of settlement shall be treated as a settlement shortage.

Subject to other provisions of these Regulations, Clearing Corporation shall make good the funds shortage, at the cost of the member in shortage, by availing Lines of Credit.

Effect of settlement shortage:

The Member-in shortage shall be liable to make good the payment equivalent to the shortfall together with the charges, penalties and other levies, as notified by Clearing Corporation from time to time, within the specified cut-off time.

II Default Handling

A DECLARATION OF DEFAULT

A Member shall be treated as a defaulter ("Defaulter") in this segment:

- a) If it does not make good this amount of settlement shortage referred to above within the specified cut-off time.



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- b) If it fails to replenish margin after its utilization has exceeded 100% of the margins made available for meeting margin requirements for this segment within the specified cut-off time.
- c) If it is declared Defaulter in another segment and/or filed for insolvency under relevant laws and/or declared insolvent by a competent authority.
- d) If it is unable to pay within the specified time, damages and the money difference due to a close-out effected against it under the Bye-laws, Rules and Regulations.
- e) If it fails to replenish the Default Fund contribution in terms of para J(i) and J(ii) of Chapter IX ;
- f) Due to any other circumstances as set out in the Bye-laws, Rules and Regulations.
Provided however, if the Member-in-shortage has been placed under moratorium or any other directions issued by the Regulator or a competent authority due to which such Member is not able to replenish the shortage, then, in that case the Clearing Corporation shall have the right to initiate appropriation of its SGF contributions without declaring such Member as a Defaulter.

B DEFAULT HANDLING PROCEDURE FOR SETTLEMENT SHORTAGE

- a) Any shortage in meeting daily settlement obligation in this segment shall, unless replenished by the Member by 11.00 A.M. on the next day (by **10.30 A.M.** if the next day is a working Saturday), be treated as a Default by the Member. For meeting such shortage, Clearing Corporation shall have the authority to sell the securities placed by the Member as margin deposit in the proprietary account. Such sale could be made either through NDS-OM or Over the Counter or sale through private arrangement as decided by Clearing Corporation
- b) Provided, however, if the settlement shortages are identified to a Constituent/s, then the SGF contributed by the Clearing Member for that Constituent/s shall be withheld. If the SGF contributions withheld as above are inadequate to cover the risk exposure, then contribution received from the Clearing Member shall be withheld. Clearing Corporation shall have the authority to sell the securities forming



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part of the SGF withheld. Such sale shall be carried out in the manner prescribed in para (a) above.

~~e) If the margin shortfall obligation is not met including through sale of securities placed as margins as stated in sub-Regulation B a) and b) above, Clearing Corporation shall be entitled to Close Out such outstanding IRS and /or FRA trades of the Member as it considers necessary, to bring the margin liability of the Member within the required level (i.e. margin requirement as percentage of margin available for the segment is to be lower than the Replenishment Level set for the Member.~~

~~Such Close out of trades shall be between the Defaulter Member and its original bilateral counter-parties for the identified trades. In the case of trades concluded on the Rupee Derivatives Dealing System, the procedure for closing out of such trades shall be notified by Clearing Corporation from time to time. For effecting such Close-out, Clearing Corporation shall, as far as possible, follow the process for identification of such trades as notified by Clearing Corporation from time to time. Where such close-out of member's positions does not bring down the margin liability within required levels, Clearing Corporation may additionally close-out the outstanding trades of the constituents of such a member as well.~~

c) If Clearing Corporation resorts to the provisions of the sub-Regulation B a) and b) above, the Defaulter Member shall be liable to pay charges and penalties as notified by Clearing Corporation from time to time.

C. DEFAULT MANAGEMENT COMMITTEE

1. CCIL may establish a Default Management Committee (DMC) comprising representatives nominated by selected members of the segment for advising / assisting the Clearing Corporation in administration / management/ handling of default by a member. Where the defaulter's portfolio of outstanding trades includes trades in multiple benchmarks, the role of the Default Management Committee shall be restricted to trades in MIBOR and MIOIS benchmarks only. For trades in these two benchmarks, the Default Management Committee shall advise and assist the Clearing Corporation on various aspects of default management process, primarily in the areas of:



- a) Risk neutralization of Defaulter's Portfolio
 - b) Creating buckets out of the Defaulter hedged/ un-hedged Portfolio, as the case may be
 - c) Setting reserve price for Auction of Portfolio Buckets
 - d) Assisting in carrying out market sale/ Auction of Portfolio Buckets as required
 - e) Assisting in allocation of position/ trades
 - f) Any other incidental matter(s) in connection with the above as may be brought before the Default Management Committee by the Clearing Corporation.
2. Provisions pertaining to the constitution of the DMC, including rights and obligations of the Default Management Committee have been prescribed in Chapter XVI- Default Management Committee of these Regulations.

D. MULTIPLE DEFAULTS IN THE SAME DEFAULT MANAGEMENT PERIOD

If during an ongoing Default Management Period, the Clearing Corporation declares some other Member also as a defaulter, then such multiple Members defaults shall be processed in the same Default Management Period.

E. DEFAULT HANDLING PROCEDURE FOR DEFAULT DECLARED IN TERMS OF CLAUSES II A) ABOVE EXCEPT FOR SETTLEMENT SHORTAGE

E. 1. Trades referenced to the MIBOR and MIOIS benchmark

1. The Clearing Corporation shall on declaration of default resort to transferring the defaulting Member's proprietary positions to one or more non-defaulting Members by way of a sale (including an auction) or through an allocation mechanism as mentioned in E. 1. 4(e) below.
2. Risk neutralization of the Defaulter's Portfolio



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- a) The Clearing Corporation with the assistance of the Default Management Committee may reduce as much as is possible and reasonable the market risk of the positions of the defaulting Member by executing hedge trades.
 - b) For this purpose, the Clearing Corporation may, with the assistance of the Default Management Committee enter into new transactions with non-defaulting Members in order to hedge the Defaulter's Portfolio. Such transactions may be concluded on trading platforms operated by Clearcorp or in accordance with separate arrangements between the Clearing Corporation and other Members of the segment availing clearing services for rupee derivative trades (including FRAs) referenced to the MIBOR and MIOIS benchmark.
 - c) The hedge transactions shall be considered as part of the Defaulter's Portfolio with respect to the further processes undertaken in accordance with the default management process.
 - d) The Clearing Corporation may, in consultation with the DMC, in certain cases decide not to carry out such hedge transactions where it is reasonably felt that the cost and time involved may be detrimental to the successful conclusion of the Default Handling Process.
3. The Clearing Corporation may, in consultation with the DMC, decide to split the Defaulter's Portfolio which shall include the hedge trades done in terms of clause E. 1. (2)(b) above into Multiple Buckets with the aim of enhancing the efficiency of the Auction Process. The process of splitting the Defaulter's Portfolio may be done either before or along with or after the process of hedging of the Defaulter's Portfolio. Each such split portfolio shall be referred to as an Auction Pool/ Bucket.
4. Restoration of a 'matched book'
- a) On declaration of a default in terms of para A above, if the Clearing Corporation determines that in respect of the Trades cleared by the Corporation, it is exposed to the risk that its obligations to some Members will not be matched by corresponding obligations by remaining Members to it, then the Clearing Corporation shall be deemed to be having an unmatched book and shall be required to take any/all of the steps listed in paras (b) to (e) below.



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- b) The Clearing Corporation, in consultation with the DMC, may transfer the defaulter's positions including the hedge transactions to one / more non-defaulting Members at a price acceptable to the Clearing Corporation or / and at prices arrived by conducting one or more Auctions.
- c) An Auction in terms of para (b) above shall be for the entire Defaulter's Portfolio or for various Auction Pools and may involve multiple Auction rounds. The Clearing Corporation in consultation with the Default Management Committee shall determine the Reserve Price, acceptable to it for the entire portfolio of the Defaulter or Reserve Price in respect of each Auction Pool.
- d) The Clearing Corporation shall conduct a Single unit Auction or Multi-unit Discriminatory Price Auction, in such mode as prescribed by the Clearing Corporation. CCIL may allow a Constituent (other than Constituent of the defaulter Clearing Member) to participate in an auction by submitting a bid through its Clearing Member. The details of the auction scheme shall be as notified by the Clearing Corporation from time to time.
- e) In case, the Clearing Corporation is not able to restore a Matched Book by the above process, it may then, in consultation with the DMC, use one or both of the following measures for matched book restoration:
- Allocation of positions to any non-defaulting Member(s) / its Constituents regardless of whether such Member(s) has (have) positions opposite or related to those in the Auction Pool(s).
 - Tear-Up of trades of non-defaulting Members / its Constituents who hold positions opposite to those in the Auction Pool(s).
- f) The price at which positions are torn up or allocated will be determined by CCIL in consultation with the DMC. Such allocation of defaulter's position or/ and tear up of non-defaulters' portfolio shall be carried out in accordance with the procedures as notified by the Clearing Corporation from time to time.
- g) The Clearing Corporation may permit to port the trades and associated margins of the Constituents of the defaulting Clearing Member to another Clearing Member(s). The time



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period allowed for porting will be notified by CCIL. In the interim, till the trades are ported to a new Clearing Member, the Constituent may be treated as an interim Self-Clearing Member for the limited purpose of completion of the porting requirement. Such Self-Clearing Member status per se will not entitle the Constituents to any rights of a Self-Clearing Member admitted in normal course. Provided however that, the interim Self-Clearing Member during such notified interim period shall be subject to the provisions of Chapter IX, "Default Fund" of these Regulations and shall be required to contribute to the Default Fund such amount as may be advised by Clearing Corporation.

- h) If the Clearing Corporation is not able to successfully port all the trades and associated margins of one or more constituents of the Clearing Member in the time period notified for porting, then in that case the Clearing Corporation ~~shall close-out all the trades of such constituents of the Defaulting Clearing Member~~ will establish a matched book in accordance with the procedures as notified by the Clearing Corporation from time to time.

5. Assessment Calls

- a) In terms of para J(iii) of Chapter IX of these Regulations, if the losses incurred by the Clearing Corporation in restoration of the Matched Book following a Member Default exceed that of the total available Pre-Funded Default Handling Resources, the Clearing Corporation shall make Assessment Calls for replenishment of default fund, to the non-defaulting members of this segment availing clearing services for rupee derivative trades (including FRAs) referenced to the MIBOR and MIOIS benchmark.
- b) The Clearing Corporation shall make such Assessment Calls on one or more occasions during the default handling period based on its assessment of the resources required for default management.
- c) The Assessment Calls shall be made to non-defaulting Members in proportion to their respective default fund contribution requirements to the MIBOR & MIOIS-Default Fund at the time of handling such default and the same have to be met only in cash.
- d) Inability of a Member to meet the Assessment Calls shall be deemed to be an action preventing the Clearing Corporation from returning to the Matched Book and shall result in the Clearing Corporation initiating appropriate actions against such Member which could



include allocation of portions of defaulter's portfolio, or tearing up its portfolio, partly or completely, and appropriating its margin resources.

6. Appropriation of Losses

Following the restoration of the Matched Book, the Clearing Corporation shall determine the total losses resulting from the Default Handling Process. These losses may include the losses on the non-ported portfolio of the constituents of the defaulting Clearing Member. In the event Defaulter's Portfolio was split into Multiple Auction Pools/Buckets, then the resources shall be allocated to each bucket in proportion to the losses in the Buckets. The losses corresponding to each Auction Pool/Bucket shall be appropriated in the order mentioned in Para I(i) of Chapter IX of these Regulations. Where losses are required to be appropriated from the default fund contributions of non-defaulting Members in terms of Para I(i)(d) of chapter IX of these regulations, then such appropriation will be in accordance with the Juniorisation scheme as notified by Clearing Corporation from time to time.

Provided, however, if losses are required to be appropriated from the default fund contribution of non-defaulting Members in terms of Para I(i)(f) of Chapter IX of these regulations, then such appropriation will be done in proportion of their required contributions to the default fund at the time of handling such default.

7. Settlement of obligations arising out of Auction(s) or allocation(s) in terms of E. 1. (4)(b) and E. 1. 4)(e)

- a) Non-defaulting Members / its Constituents who seek to bid for Auction Pool(s) shall be required to prefund their bidding value In case of Constituents, however, such prefunding should be done through their Clearing Members.
- b) Where the restoration of the Matched Book results in non-defaulting Members/ their Constituents having a margin payable, such Members shall be required to make available for themselves and on account of their Constituents requisite margins before receiving the funds pay out. In the event of a shortfall in margin account, CCIL shall deduct such shortfall amount from the funds payable to the Member and credit the same to its margin account.
- c) Where the funds payable to a Member / its Constituent is less than the margin shortfall and the Member/ its Constituent is unable to meet the margin shortfall within such time as may



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be notified by the Clearing Corporation, the Clearing Corporation shall withhold the entire amount payable to such Member/ Constituent. In addition, the Clearing Corporation shall also have the right to tear up such Member's / its Constituent's portfolio along with the allocated portion of Defaulter's Portfolio.

8. Booking of contracts in the non-defaulters' names

- a) The Clearing Corporation shall book in the name of the respective non defaulting Member / its Constituents the contracts won by them in the Auctions / allocated to them terms of E. 1. (4)(b) and E. 1. (4)(e) above with effect from a date which shall be intimated to such Members / its Constituents. Such new contracts shall also be immediately reflected in the trade repository run by the Clearing Corporation.
- b) The resultant increase in settlement, margin and Default Fund obligations shall be assumed by the respective Members / Clearing Members from the date of the booking of these contracts.

9. Return of excess margin to constituents

Clearing Corporation shall assess the utilization of the margins posted on account of the constituents after porting and / or close-out of the Constituent's trades. The unutilized margins from the margins posted by the Constituent with the Clearing Member will be returned by the Clearing Corporation to the Constituents at the end of the default management period.

E.2. Trades referenced to the MIFOR benchmark

- a) 1. Clearing Corporation shall be entitled to Close-out all the outstanding proprietary IRS and FRA transactions **referenced to the MIFOR benchmark** of the Member in the Rupee Derivatives Segment and utilize collaterals collected as margins of that Member set aside from SGF for the Rupee Derivatives Segment in closing out transactions ~~under the following circumstances.~~
 - ~~1. Insolvency or dissolution or winding up of the Member.~~
 - ~~2. Moratorium imposed on any bank which is a Member.~~
 - ~~3. Acquisition or merger of a Member.~~
 - ~~4. Court order for attachment of a Member's property.~~



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~~5. Any circumstances which in the opinion of Clearing Corporation warrant Close-out in the interest of the market.~~

2. Such Close-out of trades as mentioned above shall be between the Defaulter Member and its bilateral counter-parties.
3. The Close-out of the trades shall be effected at Clearing Corporation's MTM value for the respective trades as at the end of the day of Close-out. However, if the Close-out is undertaken during the day, the MTM value as at the end of previous day or the market price as considered appropriate by Clearing Corporation considering the state of the market at that material time shall be the basis for such Close-out.
4. The surplus/shortfall from such Close-out shall be arrived at separately in respect of the Defaulter Member and its each bilateral counterparty.
5. Any shortfall arising out of such Close-out of positions shall be recovered from the SGF balance made available as margin for this segment by the Defaulter Member or the respective counterparties, as the case may be. In case the balance in SGF account of the Member or any of its counter-parties made available as margin for this segment turns out to be inadequate to meet the shortfall amount, the said Member(s) shall be obligated to meet the shortfall in cash before the cut off time as applicable for deposit of Incremental MTM margin.
6. In case a Member fails to bring in cash as mentioned in sub-Regulation ~~Bg~~ B5 above to meet the shortfall, Clearing Corporation shall be entitled to sell any security in SGF account of the Member. Such sale could be by way of auction or through private arrangement as decided by Clearing Corporation. Provided however that before selling any security made available by a non-defaulter Member under this section, Clearing Corporation shall give a notice to such Member to replace the securities by cash equivalent to its MTM value within a pre-specified period.



7. If the Close-out of trades carried out results in a surplus in the account of any of the bilateral counterparty of the Defaulter Member, such amount shall be treated as margin made available by such Member till Clearing Corporation makes pay-outs for the amount to them. Clearing Corporation shall arrange for such pay-out as early as possible after the close out but shall not be responsible for any undue delay caused by non-recovery of amount from other entities involved in the close out.

8. Bilateral counterparties to whom trades are allocated may square off the position resulting from the Close-out in the market and report the same to Clearing Corporation. Such intimation shall be received at Clearing Corporation in the prescribed format on the next business day after the close-out. Where, the bilateral counter-party is a Constituent, the reporting must be done by the Clearing Member of such Constituents. The loss, if any, accruing to the bilateral counterparties on account of such Close-out shall be recovered from the Defaulter Member and made over to them. In case such recovery from the Defaulter Member is not possible or the recovered amount is less than the amount due for recovery for any reason whatsoever, the resultant loss shall be treated as loss arising out of default in terms of the provisions of para 1 of Chapter IX, Default Fund, of these Regulations. These losses shall also include the losses resulting from close-out of the non-ported portfolio of the Constituents of the defaulting Clearing Member.

Provided that the rate at which the bilateral counterparty has covered the position is identified as an outlier by Clearing Corporation, the defaulter shall not be liable for the loss. The decision of Clearing Corporation in regard to admissibility of loss in the circumstances shall be final and irrevocable.

9. In case of any residual trades of a constituent of the defaulting Clearing Member, the Clearing Corporation may permit to port the trades and associated margins of the Constituents of the defaulting Clearing Member to another Clearing Member(s). The



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time period allowed for porting shall be separately notified by CCIL. In the interim, till the trades are ported to a new Clearing Member, the Constituents may be treated as an interim Self- Clearing Member for the limited purpose of completion of the porting requirement. Such Self-Clearing Member status per se will not entitle the Constituents to any rights of a Self-Clearing Member admitted in normal course. Provided however that, the interim Self Clearing Member during such notified interim period shall be subject to the provisions of Chapter VII, "Default Fund" of these Regulations and shall be required to contribute to the Default Fund such amount as may be advised by Clearing Corporation.

10. If the Clearing Corporation is not able to successfully port all the trades and associated margins of one or more constituents of the Clearing Member in the time period notified for porting, then in that case Clearing Corporation shall close-out all the trades of such Constituents of the Defaulting Clearing Member.

11. For the ported Constituent Trades, the Clearing Corporation shall cancel the existing trades and re-book trades of the Constituent's with the Clearing Member.

~~k. Auction of trades/positions of a Defaulter~~

~~1. Clearing Corporation may formulate a scheme for auction of trades/positions of a Defaulter. Such scheme will come into effect only after the same has been duly notified to the Members.~~

~~2. Auction of all trades or positions in aggregate or by splitting those into smaller groups will be resorted to as per the provisions of the scheme. If there is a loss from such close-out, the Defaulter Member shall be liable to make good such loss. Any loss including that may arise in future on unsold positions shall also accrue to the Defaulter.~~

~~3. If the loss is not met by the Defaulter within an hour's time from declaration by Clearing Corporation of the result of such auction, Clearing Corporation shall be entitled to, without any further reference to the Defaulter, sell collaterals placed by the Defaulter Member as margin and/or close-out remaining trades/positions of the Defaulter Member in this or any other segment to meet any shortfall/loss.~~



12. Return of excess margin to constituents

Clearing Corporation shall assess the utilization of the margins posted on account of the constituents after porting and / or close-out of the Constituent's trades. The unutilized margins from the margins posted by the constituent with the Clearing Member will be returned by the Clearing Corporation to the constituents ~~after completion of the default handling procedure at the end of the default management period.~~

E.3. Charges and Penalties

If Clearing Corporation resorts to the provisions of the sub-Regulation E (1) and (2) above, the Defaulter Member shall also be liable to pay charges and penalties as notified by Clearing Corporation from time to time.

F. Members Duty to Inform

a. The Clearing Member shall forthwith inform the Clearing Corporation if:

- (i) The Constituent has failed to provide the margin requested by its Clearing Member; or
- (ii) The Constituent has failed to deliver any amount due by it to the Clearing Member on account of or in relation to Constituent Trades or
- (iii) an event of default has occurred in respect of the Constituent under the terms of the Agreement between the Clearing Member and its Constituent.

b. The Clearing Corporation shall on receipt of the intimation from the Clearing Member in terms of Regulation ~~C(a)~~ F(a) above, treat the outstanding trades of the Constituent which were submitted for clearing through the concerned Clearing Member as the outstanding trades of the said Clearing Member. These trades shall then be included in the portfolio of outstanding trades of the Clearing Member for the purposes of margining. No further trades for such Constituent shall be accepted by the Clearing Member.



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c. On receipt of the intimation from the Clearing Member in terms of Regulation ~~C(a)~~ F(a), the Clearing Corporation shall advise this information to all other Clearing Members whose services are being availed by the said Constituent.

d. Clearing Corporation may, after advice to the Clearing Member stop accepting trades for a Constituent based on information available with it on the ratings/gradings assigned to the Constituent by rating agencies and / or on the basis of certain financial parameters including net worth, asset quality etc.

G. DEFAULT OF CLEARING CORPORATION:

1. In the event Clearing Corporation fails to fulfill any settlement related obligation to any non-defaulting counterparty, even after the expiry of 30 (thirty) business days from the date of the payment / delivery falling due and an intimation being sent by the counterparty in this regard to Clearing Corporation or in the event RBI cancels CCIL's Payment System License or issues a notice for such cancellation thereto, a non defaulting counterparty may, by notice in writing to the Clearing Corporation not later than 7 (seven) business days from such event, seek the termination and close-out of its outstanding trades in this segment.

2. Clearing Corporation shall, not later than 2 (two) business days from the date of receipt of such notice and after due notification to all members of this segment: (a) effect close-out of Outstanding Trades of such Member and its Constituents or (b) close out all Outstanding Trades in the segment.

Such Close-out shall be at a pre-determined price as may be notified by the Clearing Corporation from time to time and post such Close-out, Clearing Corporation shall determine the member-wise net mark-to-market loss or gain (as the case may be) in respect of the trades. The net mark to market loss or gain so arrived at shall constitute the termination amount for each



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member. The termination amount shall be settled by payment to the member, in case of member's gain, or by receipt from the member, in case of member's loss.

3. The termination amount shall be settled by the close of business on the business day following the day of termination or as soon as possible thereafter. Any non-recovery of termination amount from any of the member within this period will be considered as a Default by the member and shall be handled in terms of provisions of Chapter VII Default & Chapter IX Default Fund of these Regulations.
4. Before paying out any amount under this clause, Clearing Corporation shall have the right to recover there from any amount payable by the member to Clearing Corporation.
5. The close-out transactions shall be final and binding upon the members.

CHAPTER IX : DEFAULT FUND

D. COMPOSITION

- i. Default Fund shall be formed with contributions from members in the form of cash and/or eligible Government Securities.
- ii. Clearing Corporation shall specify the minimum percentage of contribution in the form of cash from time to time after due notification;

Provided however that during a default management period, if any replenishment of the Default fund in terms of the provisions of para J(iv) of this Chapter is required, such replenishment shall be made only in cash;
- iii. **Members will be permitted to maintain their Default Fund collateral composition ratio in terms of Clause D (ii) above, after the**



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completion of Default Management Period has been advised to Members by the Clearing Corporation.

- iv. Clearing Corporation shall notify the eligible securities for contribution to Default Fund. Securities declared as ineligible for Default Fund contribution shall not be reckoned as Default Fund contribution of such member.
- v. Clearing Corporation may notify from time to time the maximum amount of a single security or group of securities that a member and / or all Members together may deposit by way of contribution to Default Fund and/ or have security concentration thresholds beyond which hair cut rates of securities as collateral may be increased;
- vi. A member shall at all times ensure that its contributions to Default Fund are adequate to cover its share as per Para C above;
- vii. Cash contributions to Default Fund shall be in multiples of Rs.1 lac or such other amount as may be prescribed by Clearing Corporation;

I. UTILISATION

- i. Where a Member is declared as defaulter in terms of Chapter VII the losses as a result of such default shall be computed separately for the defaulter's portfolio comprising of rupee derivative trades referenced to the MIFOR benchmark (referred to as "MIFOR losses") and that for the defaulter's portfolio comprising of rupee derivative trades referenced to the MIBOR and MIOIS benchmark (referred to as "MIBOR & MIOIS losses"). The respective losses shall be met by Clearing Corporation by recourse to funds in the following order:
 - a. first, by appropriation of the benchmark wise margin contribution of the defaulting Member including surplus margin contributed in any Segment;



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- b. next, by applying set-off from defaulter's own contribution to the respective Default Funds. Any residual loss after applying such set off shall be further set off against excess contribution of the defaulter entity in any other Default Fund account with the Clearing Corporation. Such set off will be subject to the Regulations of the Segment in which such excess contribution is identified.
- c. next, by allocation from Clearing Corporation's Settlement Reserve Fund, an amount notified by Clearing Corporation as the first tranche for allocation at the time of arriving at the corpus of the respective Default Fund in terms of Para B of this Chapter .
- d. next, by allocation of the residual loss to the Default Fund accounts of non-defaulting Members in proportion to their required contributions to the respective Default Funds at the time of handling such default **or if an auction has been conducted, then as per the Juniorisation scheme established for each Auction Pool in terms of the provisions of Regulation E.1.(6) of Chapter VII.** The amount allocated to the non-defaulting Members shall be recovered from such Members in the form of cash contribution, or by sale of securities contributed by such Members to the respective Default Funds under advice to them. The price at which such security/securities is/are sold will be binding on the Members. The individual losses shall be allocated to the respective Default fund contributions of the non-defaulting members.
- e. and next by allocation from Clearing Corporation's Settlement Reserve Fund, an amount notified by Clearing Corporation as the second tranche for allocation, at the



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time of arriving at the corpus of respective Default Fund in terms of Para B of this Chapter.

- f. and then by allocation of the residual loss to the respective Default Fund account of non-defaulting Members after replenishment of the balances in these accounts in ~~terms of para J(iii) of this Chapter~~ proportion of their required contributions to the respective Default Funds at the time of handling such default.
- ii. If the contribution to Default Fund has been made in the form of securities by the defaulter and the securities are required to be sold for appropriation, Clearing Corporation may sell those securities through NDS-OM and / or offer such securities for sale first to the non-defaulting Members of the segment and / or in any manner determined by the Clearing Corporation. Based on the quotes received from such Members, Clearing Corporation may offer the security to the highest bidder and such sale shall be binding on Members.
- iii. If there is more than one default in a day, defaults shall, subject to Clearing Corporation not having commenced any action on any such defaults, be handled by Clearing Corporation in descending order of the estimated size of shortfall. In case Clearing Corporation has commenced any action on any such default, such default shall not be considered for the descending order priority.
- iv. If there is any allocation of residual loss to the Default Fund account of other Members (i.e. non-defaulter Members) in terms of Para I (i) (d) and (f) above, Clearing Corporation shall notify the total amount of such allocation on each such occasion. Clearing Corporation shall also notify the cumulative amount of such usage in the past one year period ending on such date.



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- v. Clearing Corporation, may as per the process duly notified in this regard, treat the collateral available in Members' MIBOR & MIOIS-Default Fund or/and MIFOR-Default Fund account(s) in excess of its required contributions, as the collateral deemed to be made available by such Member towards meeting a deficit in the balance in any other Default Fund account. Such amount would continue to remain blocked towards the said Default Fund account till the Member has replenished the shortfall in the other Default Fund accounts with Clearing Corporation.
- vi. Moreover, if a Member is declared defaulter in another Segment and/ or has filed for insolvency under relevant laws and/ or is declared insolvent by a competent authority, Clearing Corporation shall be entitled to treat the collateral available in a Members' MIBOR & MIOIS-Default Fund or/and MIFOR-Default Fund account(s) in excess of its required contributions as being made available by the Member towards the Default Fund accounts of such other segments.
- vii. The action of Clearing Corporation as per the above process shall be final and binding on all Members.
- viii. The above course of action shall be without prejudice to any other rights of Clearing Corporation against the defaulter.

J. REPLENISHMENT

- i. Members shall be required to contribute to the Default Fund such sums as notified by Clearing Corporation on every revaluation / resizing of the Default Fund, in terms of Regulation 'B' above of this Chapter. Shortfall, if any, in the default fund contribution of a member after such revaluation / re-sizing shall have to be



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replenished within such time period as may be notified by Clearing Corporation from time to time.

- ii. ~~In the event, that the~~ During the Default Management Period, if a Member's contribution to the Default Fund has been utilized to meet the loss on account of default handling, the Member shall be required to replenish ~~the balance required to fulfill~~ its contribution to the Default Fund, within ~~a maximum such time period of one business day from such utilization or such other number of days~~ as may be notified by Clearing Corporation from time to time;
- iii. ~~In the event that the member's~~ During the Default Management Period, if an additional contribution to the Default Fund is ~~found to be inadequate to meet the loss on account of default handling after allocation of shortfall~~ sought by Clearing Corporation in terms of Para I ~~(i)(d) and~~ (i)(f) above ~~of this Chapter~~, the Member shall be required to deposit such additional sums forthwith ~~to and~~ bring the balance in ~~the its~~ Default Fund account ~~to the~~ at par with its required ~~quantum~~ contribution to the fund in terms of Para C(ii) above of this Chapter.
- iv. ~~Default Fund replenishment calls made by the Clearing Corporation under the circumstances mentioned in para J(iii) above shall be termed as Assessment Calls and Default Fund replenishment in response to Assessment Calls shall be only in cash. Members shall be required to meet Assessment Calls within such time period as may be advised by Clearing Corporation during the particular Default Management Period;~~
- v. In the event of failure of a member to contribute to Default Fund within the time period specified as per Para J(i), J(ii) and J(iv) above of this Chapter, Clearing Corporation shall treat such failure in



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terms of Chapter VII of these Regulations and the Member shall be liable for the consequential action thereon as specified in Chapter VII of these Regulations.

- vi. The maximum contribution of a Member towards replenishment of its contribution to Default Fund for the Derivatives (Guaranteed Settlement) Segment in the 30 days' period immediately after the loss threshold as referred in Clause E(1) of Chapter II of this Regulation having been reached, and the Member having resigned, shall not exceed 5 times of its contribution to Default Fund based on last re-computation of Default Fund contribution of the Members carried out as per the process described in Clause B(ii) above of this Chapter, subject to a monetary ceiling notified by Clearing Corporation . A Member shall not be obligated to contribute any amount in excess of the monetary ceiling during the aforementioned period of 30 days.
- vii. The amounts mentioned in sub clause (vi) above as maximum contribution for a Member and the threshold as referred in paras E(1) of Chapter II shall be reviewed periodically by the Clearing Corporation based on market size, volatility etc. Any change in any of the ceilings as above or in the threshold as stated above due to such review shall be effected after giving a notice of 90 days to the Members.

K. RECOVERIES FROM THE DEFAULTER

- i. Any recovery from the defaulting Member, after adjusting for meeting charges/ penalties/ and any other incidental or consequential expenses shall be split in proportion of the "MIFOR losses" and "MIBOR & MIOIS losses" and shall then be accounted for individually by Clearing Corporation in the ~~reverse order of utilization of its resources as described in Regulation I (i)~~



~~of this Chapter. If any such amount recovered is to be apportioned to the non-defaulting Members, then Clearing Corporation shall return the same (by credit to its Default Fund account, in the form of cash or eligible securities of equivalent market value pro-rata to the respective amounts appropriated and not exceeding the amount of contribution so appropriated.—~~ following order:

- a) First to non-defaulting Members' Default Fund contributions utilised as part of the assessment calls in terms of para J(iii) above. If the amount recovered from the defaulter is less than that utilized from the Assessment Calls, then such amount shall be returned to the non-defaulting Members in proportion to the amount utilized.
- b) Next, by apportioning to the second tranche of Clearing Corporation allocated from its Settlement Reserve Fund, but not exceeding the amount originally appropriated from this tranche.
- c) Next, by apportioning to the pre-funded Default Fund contributions of the non-defaulting Members to the extent utilized. If the residual amount recovered is less than the total utilized pre-funded default fund contribution of the non-defaulting Members across all Auction Pools, such residual amount shall be apportioned among such Auction Pools in the same ratio as the total non-defaulting Members' contributions were split between the pools at the time of the default handling. Within each Auction Pool, the recovered amounts will be returned to the non-defaulting Members in the reverse order of the Juniorisation scheme established for each such pool in accordance with the provisions of Regulation E.1.(6) of Chapter VII. However, in case of Pools where Auction was not conducted, the recovered amount shall be returned to the non-defaulting members in proportion to the amount utilized.



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- d) Next, by apportioning to the first tranche of Clearing Corporation allocated from its Settlement Reserve Fund, but not exceeding the amount originally appropriated from this tranche.
 - e) Finally, any residual amount shall be returned to the defaulting Member after adjusting for any other due and claims, if any from such defaulter.
- ii. The return of resources to the non-defaulting Members as per the provisions of sub-clause a) and c) above will be by way of credit in the form of cash or eligible securities of equivalent market value to their Default Fund accounts.
- iii. If a Member ceases to be a Member of the segment by its resignation or expulsion, Clearing Corporation shall have paramount lien to appropriate the contributions made by the Member to Default Fund first towards meeting any residual loss arising on squaring off the trades of such Member and the balance towards recovery of monies towards dues and claims before accepting claims for refund of the contribution to the concerned Member. The refund will also be subject to Bye-laws, Rules, and Regulations of such segments of Clearing Corporation in which the Member has been admitted.

CHAPTER XVI: DEFAULT MANAGEMENT COMMITTEE

- 1. General provisions for Default Management Committees (DMC)
 - a. Default Management Committee (DMC):



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A Default Management Committee (hereinafter referred to as DMC) shall be a committee as defined in Chapter VI of the Regulations of this Segment. The Clearing Corporation shall establish separate Default Management Committees in its various clearing segments.

b. Roles and Responsibilities of the DMC

The roles and responsibilities of the DMC shall be to advise and assist the Clearing Corporation in the following matters:

- i. Assisting in hedging defaulter's portfolio including facilitation of execution of the hedge trades;
- ii. Creating tranches out of the defaulter's hedged/un-hedged portfolio, as the case may be;
- iii. Setting reserve price for Auction of portfolio tranches;
- iv. Carrying out market sale of positions/ auction as required;
- v. Assisting in allocation of unsold position/trades; and
- vi. Any other incidental matter(s) in connection with the above as may be brought before the DMC by the Clearing Corporation

c. Constitution of DMC

- i. Clearing Corporation shall identify 7 clearing Members who will be invited by the Clearing Corporation to form the DMC. Of the Members so identified, 4 Members shall be classified as 'Core Members' of the segment. For the purpose of categorization of Members as core Members, the Clearing Corporation shall compute the average initial margin (IM) for all Members of the respective segment for the previous calendar quarter at the time of constitution of DMC and rank Members in descending order of their average IM.
- ii. Core Members - The top 4 ranked Members of the clearing segment by average IM shall be considered as the Core DMC Members subject to meeting eligibility criteria as mentioned in Clause 1(d) below. Joining the DMC will be mandatory for Members identified as Core Members. Clearing Corporation shall advise the Core Members of their appointment by way of a letter / email. In case of a tie for the 4th rank, Clearing Corporation management / board shall reserve the right to appoint one of the tied Members to be a Core Member.



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- iii. Non-Core Members – Clearing Corporation shall invite through e-mail / letter the next 3 top ranked Members depending on the category of such Members subject to meeting eligibility criteria as mentioned in Clause 1(d) below to join the DMC in the capacity of Non-Core Members. The Non-Core Members shall necessarily include 1 public sector banks and 2 foreign / private banks / Primary Dealers. Joining the DMC shall be voluntary for Members identified as Non-Core Members.
- iv. A Member so invited shall revert to Clearing Corporation within 7 business days about its acceptance / rejection of the invitation to join the DMC. If such Member does not respond by the 7th day, Clearing Corporation shall consider that the Member has accepted the invitation to join the DMC.
- v. If a Member invited to join the DMC as a Non-Core Member rejects the invitation, the invitation shall be extended to the next ranked Member in the same category (private sector / public sector / foreign banks / Primary Dealers). In case of non-availability of Members from the same category, the Clearing Corporation may extend the invitation to a Member belonging to any other category. If such newly identified Member also rejects the invitation to join the DMC, the position may be thrown open to any Member of the same category. Clearing Corporation shall inform all clearing Members of the segment belonging to the same Member category through an e-mail about such open position on the DMC. A Member wishing to join the DMC may send a request to Clearing Corporation for the same. If Multiple Members express their interest to join the DMC, Clearing Corporation shall choose the higher ranked Member to be a part of the DMC.
- vi. If the required number of Non-Core Members do not volunteer to join the DMC, Clearing Corporation may nominate Members as per a process deemed appropriate by it. It shall be mandatory for such nominated Members to join the DMC.
- vii. Members (Core and Non-Core) who are appointed to the DMC shall be required to serve the full term of the DMC.

d. Eligibility criteria for DMC membership:

- i. The Member institution shall not have been declared as defaulter in terms of Chapter XII, 'Defaults' of the Bye-Laws of the Clearing Corporation;
- ii. The Member institution should not be subject to any Regulatory actions of material nature in the three years prior to its nomination on the DMC;



Failure to comply with any of these conditions during the tenure of its membership shall result in the termination of the DMC membership of such Member institution.

e. Nomination of DMC Officials

- i. A Member institution which has accepted membership of the DMC shall be required to nominate representatives from their institution, who will be termed as *DMC officials*, within 15 business days from their selection to the DMC.
- ii. Each Member institution shall be required to nominate 2 representatives – one as a primary representative and other as a back-up representative who shall perform the responsibilities of the primary representative in his/her absence.
- iii. Clearing Corporation shall have the authority to confirm / reject the nominated officials as part of the DMC and in case of rejection; the Clearing Corporation shall cite the reasons for such rejection.
- iv. Upon rejection by Clearing Corporation, DMC Member institution shall have to provide an alternate nomination within 15 business days.
- v. DMC Member institutions shall be allowed to substitute their nominated representatives in the DMC by giving a minimum 30 calendar days' notice, subject to Clearing Corporation approving the candidature of the nominated substitute. It shall be the responsibility of the DMC Member to provide a substitute DMC official in case of termination or resignation of its current nominated representatives.
- vi. Clearing Corporation shall have right to terminate the appointment of a DMC official if at any point of time during its term, such official has failed to adhere to the rules of the DMC.

f. Qualifying criteria for an individual nominated to represent a Member entity on the DMC:

- i. He/she must be a serving employee in India of the Participating DMC Member institution;
- ii. He/she must be able to demonstrate relevant experience with respect to the products cleared by the Clearing Corporation and have appropriate expertise in the matters in which the DMC is expected to advise the Clearing Corporation;
- iii. He /she is not subject to any on-going regulatory disciplinary investigation / action with



regard to any fraud or misdemeanor;

- iv. He/she must not already be a Member of a default management committee or a similar committee of the Clearing Corporation or another central counterparty or exchange;

g. Term of DMC Members:

- i. A DMC Member institution shall serve a term of three years from the time the Agreement for the Participation in the Default Management Committee has been signed and has become effective. The Clearing Corporation may extend the relevant period if the DMC Matters for which a DMC Meeting has been convened is not likely to be finalised before the relevant term would have otherwise ended.
- ii. The DMC shall be re-constituted after the end of the term as per the rules laid out for the 'Appointment of DMC Members' and Members shall be eligible to get re-appointed for another term.
- iii. A Non-Core Member may resign from the DMC after giving a notice of 30 days. Such resignation shall be accepted by the competent authority of the Clearing Corporation subject to the resigning Member having complied with these rules and the procedures set out in this regard.

h. Removal of a Member institution from the DMC by the Clearing Corporation

A Member institution shall cease to be part of the DMC if it has been declared as a defaulter in one or more clearing segments of Clearing Corporation in terms of its Bye Laws, Rules and Regulations

- i. Removal of a DMC Member institution will lead to automatic removal of DMC officials nominated by such Member.
- ii. Clearing Corporation shall invite a clearing Member, who is not a DMC Member, subject to the appointment criteria cited in Para 1 above, to replace the outgoing DMC Member institution.
- iii. If two or more DMC Member institutions are subject to a merger and become affiliates, Clearing Corporation shall upon consultation with the Participating DMC Member Institution(s), remove all appointed DMC representatives and back up representatives of such original Participating DMC Member and seek fresh nominations from the merged entity.



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i. Removal of a DMC representative by the Clearing Corporation

Clearing Corporation shall have the right to remove a representative (including the back-up representative) of a DMC Member institution from the DMC on which it serves by giving prior written notice of at least 5 calendar days to the DMC Member institution in the following instances:

- i. The DMC representative(s) fails to participate in two consecutive DMC Meetings due to reasons which in the opinion of the Clearing Corporation is not a valid reason, or
- ii. The DMC representative fails to comply with the DMC Rules; or
- iii. The DMC Member institution ceases to comply with DMC Member Eligibility Criteria as stated above.

j. DMC meetings

- A DMC meeting shall be convened by the Clearing Corporation through e-mail / telephone or any other suitable means for the following purpose:
 - i. GENERAL MEETING - Convened at regular intervals to deliberate, discuss and decide on default handling procedures.
 - ii. FIRE DRILL MEETING – For assessing the efficiency of default handling procedures during default fire drills and suggesting corrective measures thereon.
 - iii. DEFAULT MANAGEMENT MEETING – For assisting Clearing Corporation in managing participant defaults.
- In case of a Default Management Meeting, the DMC officials must be available for prompt participation in person within two hours after receipt of an intimation for such meeting.
- Both, primary as well as back-up representatives shall be permitted to attend General meetings and Fire Drill meetings. In case of Default Management meeting, the back-up representative shall be permitted only if the corresponding primary representative is not available for the meeting.
- All DMC meetings shall be held in person at the premises of Clearing Corporation or any other venue as specified by the Clearing Corporation.

k. Quorum



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- i. Quorum shall be achieved if overall 40% of Members of DMC are present, with at least 60% of Core Members being present.
 - ii. If within half an hour after the time fixed for the DMC meeting, there is no quorum, the meeting, shall be adjourned to a later hour on the same day. At such adjourned meeting, the Members present shall be deemed to be the quorum and the Agenda of the original meeting shall be transacted as scheduled.
2. Chairperson and Deputy Chairperson
 - a. Once a DMC has been established, the officials nominated to represent the DMC Member institution on the DMC shall elect from amongst themselves a Chairperson and a Deputy Chairperson.
 - b. The Chairperson / Deputy Chairperson shall be elected by the DMC in consultation with the Clearing Corporation.
 - c. Only primary representatives of a DMC Member can be elected as a Chairperson and Deputy Chairperson for a period of three years. Voting rights for election of Chairperson and Deputy Chairperson will be restricted to the primary representatives only.
 - d. The Chairperson shall preside over the proceedings of DMC meetings. In his / her absence, the Deputy Chairperson shall perform the functions of the Chairperson at a DMC meeting.
 - e. Removal of the DMC Chairperson and the Deputy Chairperson Member shall be in accordance with Rule h (“Removal of a DMC representative by the Clearing Corporation”) referred to above.
 - f. The Chairperson and / or Deputy Chairperson may resign from the post after giving a notice of 30 days. However, he/ she may continue to be a part of the DMC as a Member.
3. Clearing Corporation’s Representation in DMC meetings
 - The Clearing Corporation shall be represented in a DMC meeting by one or more of its officials appointed by a competent authority.
4. Voting procedures



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- a. All decisions of DMC shall be made at a DMC meeting by the DMC officials present in person in the meeting on the basis of voting by show of hands and by means of a simple majority.
- b. Both Core Members as well as the other Members shall have equal weight in the voting process.
- c. Each participating DMC Member shall have only one vote. Back-up representatives shall be permitted to cast vote only if the corresponding primary representative is not available for the meeting.

5. Recommendations of DMC

- a. The DMC shall submit its recommendations to the Clearing Corporation for further action on the same.
- b. The Clearing Corporation shall have the right to accept or not to accept any of the recommendations of the DMC. In situations where the Clearing Corporation does not accept the DMC's recommendations, it shall record its views in writing and shall notify the same to the Regulator.
- c. In situations where the DMC is not able to arrive at a decision based on a simple majority, the Clearing Corporation shall have the right to proceed in a manner as it deems fit considering the market interest and the interest of the Payment System. In such case, the course of action so decided by the Clearing Corporation shall be final and binding.

6. External Experts

- a. Clearing Corporation may invite external experts or external counsels to attend whole or part of the DMC meetings if the attendance of such experts/ counsels is deemed appropriate by the Clearing Corporation.
- b. Such external experts, if invited to attend the DMC meeting shall have no right to vote in the meeting.

7. Confidentiality

- a. DMC Members and external experts shall be required to maintain confidentiality of DMC proceedings, discussions, decisions and such other information pertaining to



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the actions undertaken to which they were privy to. Such confidentiality shall be maintained even after their resignation or termination from the DMC.

- b. DMC Members shall not use any confidential information received as part of its appointment to the DMC for the benefit of itself, its organization or affiliates or any third party.
- c. Such information may however be disclosed by the DMC Members to regulatory or supervisory authorities.

8. Undertaking and Non-Disclosure Agreement (NDA)

- i. On appointment to the DMC, DMC Members shall be required to execute an Undertaking for participation in the Default Management Committee.
- ii. DMC Members are required to adhere to the rules and regulations of CCIL in this regard.
- iii. Each DMC Member institution shall instruct its nominated DMC Member officials to follow the instructions of the Clearing Corporation during a DMC Meeting held in connection with the DMC Matters in accordance with the DMC Rules and to always act in the best interest of a successful default management process of the Clearing Corporation.
- iv. DMC Officials shall remain an employee of the respective DMC Members and shall not qualify as an employee of the Clearing Corporation or its subsidiaries.
- v. DMC Members and DMC officials will be required to sign a Non-Disclosure agreement. Any external experts / counsels attending the DMC meetings at the behest of Clearing Corporation would also be required to sign the Non-Disclosure agreement.