

THE CLEARING CORPORATION OF INDIA LIMITED

REGULATIONS

(FOREX SETTLEMENT SEGMENT)

CHAPTERS

NO.	DESCRIPTION	PAGE NO.
I	Introduction	1
II	Membership	2-3
III	Settlement Guarantee Fund	4-8
IV	Trade Settlement	9-16
V	Net Debit Cap, Exposure Limit & Margins	17-19
VI	Defaults	20-24
VII	Risk Management	25-28
VIII	Charges	29
IX	Sudden Event Handling	30-31
X	Miscellaneous	32

ANNEXURES

NO.	DESCRIPTION	PAGE NO.
I	Window of Operations -Timings	33-34
II	Foreign Exchange Confirmation	35-36
III	Net Position Report	37
IV	Trades Status for the trade date	38
V	Settlement Guarantee Fund - Notice of Substitution	39
VI	Forex Settlement - Advice of Payment Instruction	40
VII	Forex Settlement - Temporary Enhancement of Net Debit Cap	41
VIII	Schedule of Reports	42

Updated as on March 1, 2007

CHAPTER I : INTRODUCTION

The Regulations framed hereunder shall be called "The Clearing Corporation of India Ltd. (Forex Settlement Segment) Regulations, 2001".

APPLICABILITY

These Regulations shall be applicable to all Members admitted to the Forex Settlement Segment of Clearing Corporation of India Ltd. hereinafter referred to as "Clearing Corporation".

CHAPTER II : MEMBERSHIP

A) APPLICATION FOR MEMBERSHIP

1. Every entity desirous of seeking Membership shall submit an application in the prescribed format to Clearing Corporation complete in all respects together with all requisite enclosures as required to be submitted in terms of the Application Form;
2. The application shall clearly specify that the applicant desires to seek Membership to the Forex Settlement Segment of Clearing Corporation;
3. The application form shall be submitted along with the fees prescribed for Membership into the Forex Settlement Segment.

B) PROCESSING OF APPLICATIONS

1. Every such application received in terms of Regulation (A) above shall be submitted to the Membership Approvals Committee (MAC) for consideration;
2. Clarifications and/or additional information sought by MAC shall be furnished by the applicant. Such applications shall be processed further only upon receipt of complete particulars called for by MAC;
3. Mere submission of completed application forms and/or additional information sought by MAC does not by itself confer any right on the applicant to claim grant of Membership to Clearing Corporation;
4. Upon receipt of approval of MAC, Clearing Corporation shall communicate such approval to the applicant with a request to complete the other formalities outlined in these Regulations;
Upon receipt of approval for Membership, the applicant shall complete the other formalities stipulated in this Regulations and execute necessary documents in such form and manner as may be prescribed by Clearing Corporation from time to time. Such execution shall be carried out by duly authorised signatory(ies) of the applicant after having obtained necessary internal approvals for the purpose.

C) MEMBER ID

1. Every applicant admitted as a Member of Clearing Corporation shall be allotted a Member ID which shall be unique to the Member;
2. Every Member shall incorporate the Member ID in all Trades reported to Clearing Corporation for Clearing and Settlement;
3. Every Member shall incorporate the Member ID in all its communications to Clearing Corporation;
4. Non-incorporation of Member ID by a Member in any Trade or communication by a Member shall absolve Clearing Corporation of all liabilities or consequences of inaction by Clearing Corporation;
5. Every Member shall ensure that incorporation and/or use of its Member ID is restricted to authorised personnel only and such Member shall be responsible for any loss or consequences that may arise on

account of unauthorized and/or wrongful use of Member ID or for placing any wrong orders;

6. Clearing Corporation and/or any of its officials shall not be in any way responsible for any loss or consequences that may arise on account of unauthorized and/or wrongful use of Member ID.

CHAPTER III : SETTLEMENT GUARANTEE FUND

A) PURPOSE

1. Clearing Corporation shall maintain a dedicated Settlement Guarantee Fund (hereinafter referred to as "SGF") in respect of the Forex Settlement Segment with a view to meeting the risk arising out of any default by its Members in discharging the obligations of an individual Member either for itself or for any other Member.
2. SGF may be utilised for such purposes as provided in the Bye- Laws, Rules and Regulations including towards meeting default obligations/ shortfalls/ deficiencies and/or any other dues arising out of normal Clearing and Settlement operations undertaken by Clearing Corporation as part of its normal day to day operations.

B) COMPOSITION

1. SGF may be formed with contributions from Members in the form of cash or US and/or Indian Government Securities or Treasury Bills (hereinafter referred to as Government Securities in these Regulations) as may be decided by Clearing Corporation from time to time. The cash contributions referred above may be in the form of either in INR or USD or both as may be decided by Clearing Corporation from time to time;
2. Clearing Corporation may require every member to contribute a minimum specified percentage of SGF in the form of cash. The proportion of cash to securities to be maintained by the Member may be changed at the sole discretion of Clearing Corporation as notified from time to time.
3. Clearing Corporation may at its absolute discretion require members to deposit their entire contribution(s) to SGF in the form of cash in US dollar.
4. Clearing Corporation shall at its absolute discretion be authorised to invest the cash contribution received from members in Government Securities as may be decided from time to time.
5. Clearing Corporation shall specify the list of eligible securities which shall qualify for contribution to SGF. The list of securities eligible for such contribution shall be notified by Clearing Corporation from time to time;
6. Clearing Corporation may at its absolute discretion specify the type of security including the maximum contribution to be made in a single security towards the SGF.
7. A Member shall, upon admission, be required to contribute to SGF before Clearing Corporation accepts Trades from the Member and/or on its behalf for Clearing and Settlement;
8. A Member's contribution to SGF shall cover its margin obligations towards Exposure Limit, Mark to Market Margin and/or any other margin that may be prescribed in Chapter VII relating to "Risk Management" in these Regulations;

9. A Member shall at all times ensure that its contributions to SGF are adequate to cover Exposure Limits including any additional margin requirements therefor on the outstanding Trades accepted by Clearing Corporation on behalf of that Member as per Chapter relating to "Risk Management" in these Regulations.

C) INTEREST ON CONTRIBUTIONS TO SGF

1. Members shall be entitled to receive interest on Government Securities contributed to SGF as per coupon receivable on the respective securities, net of costs and taxes if any, and any other charges levied by the custodian.
2. Members shall not normally be entitled to any interest on cash amounts contributed to SGF except as provided in paras (3) and (4) below;
3. In the event of Clearing Corporation requiring its Members to make their entire contributions to SGF in the form of cash in USD, Clearing Corporation shall invest, either directly and/or through its Custodian such cash in USD Deposits / US Government Securities/Treasury Bills and distribute earnings arising out of such investments (excluding revaluation gains/loss, net of costs / taxes if any, on the basis of average daily cash balances to the members at half-yearly rests);
4. In the event of Clearing Corporation requiring its Members to make their entire contribution to SGF in the form of cash in INR, Clearing Corporation may compensate such Members by offering them interest payments at quarterly rests (at the end of every calendar quarter) on 90% of their average cash balances during the relative period at the rate as notified by Clearing Corporation from time to time.

D) ADMINISTRATION

1. Clearing Corporation shall have absolute discretion/control over the administration, manner and mode of investment of cash margins deposited by Members including appointment of a Custodian for management and/or deployment of such contributions;
2. The contributions made by the Members to SGF in the form of US Government securities / Treasury Bills and/ or the investments made by Clearing Corporation on behalf of the members in such securities shall be held with the Custodian appointed by Clearing Corporation
3. In the event of Clearing Corporation appointing a Custodian to manage Member contributions denominated in USD to SGF, all terms and conditions governing such arrangement with the Custodian shall automatically be binding on its Members;
4. Clearing Corporation shall have the absolute right to utilize any of the securities held by it on behalf of Members with the Custodian to meet shortfalls and/or deficiencies in the Clearing and Settlement process arising either out of a default by the Member or any other Member in such sequence of application as may be determined at the sole discretion of Clearing Corporation to be appropriate.

5. Clearing Corporation shall also be authorised to pledge, hypothecate, create any charge and/or encumbrance over securities deposited by Members towards their contribution to SGF for availing line of credit / repo or any other facilities both in INR and USD from RBI, Banks, Institutions and/or any other entities either in India and/or in the United States of America, for the purpose of clearing and settlement of transactions accepted by it;
6. Clearing Corporation shall have paramount lien on contributions made by any of its Members to SGF towards any amount due from such Members towards recovery of losses, charges, penalties or any other amount due to Clearing Corporation and Clearing Corporation shall be entitled to utilize the contributions or the proceeds arising out of the contribution, if in the form of securities, to appropriate towards recovery of losses, charges, penalties or any other amount due to Clearing Corporation and any default obligations/ shortfalls/ deficiencies and/or any other dues of such Member arising out of normal Clearing and Settlement operations undertaken by Clearing Corporation as part of its normal day to day operations.

E) WITHDRAWAL FROM SGF

1. Members shall be entitled to withdraw their contributions to SGF in excess of their obligations to cover their margin requirements and/or any other amount payable to Clearing Corporation, by giving prior notice as per the workflow process notified by Clearing Corporation from time to time to Clearing Corporation and/or its Custodian as applicable in the format prescribed for the purpose;
2. Members shall ensure at the time of lodging such requests for withdrawal of excess contributions to SGF either in the form of cash and/or securities, that the cash component of their contributions to SGF do not fall below the prescribed ratio of SGF contribution after such withdrawal is effected

F) RECEIPTS AND DELIVERIES OF SECURITIES

1. Members shall contribute securities to SGF in multiples of market lots.
2. Members shall arrange to deposit their contributions of eligible securities to SGF by ensuring credit of USD securities as required by the Custodian and advise the Clearing Corporation in the format prescribed for the purpose.
3. Members shall ensure that all relevant details as required by RBI/Custodian/Clearing Corporation to carry out such trades in the Custody accounts are furnished.
4. The Clearing Corporation shall reckon the credit to the member's account only on receipt of confirmation of credit to its account with Custodian. Such credit shall be reckoned for purpose of margin computation in respect of a Member at the start of the business day following the date of receipt of deposit intimation by Custodian;
5. Members shall be entitled to withdraw securities from their contributions to SGF by giving prior notice as per the workflow process notified by Clearing Corporation from

time to time. For USD securities, the notice period shall be as stipulated by the Custodian. Provided that if such notice for withdrawal is received in respect of a security that shall be falling into shut period and rendering such delivery impossible, then such notice shall be considered to be invalid;

6. Withdrawal of securities by a member shall result in reduction from its SGF balance as and when instructions to transfer such securities to the concerned member are issued to Custodian by Clearing Corporation;
7. Members shall be entitled to substitute securities deposited as contribution to SGF by giving prior notice as per the workflow process notified by Clearing Corporation from time to time to the Clearing Corporation in the format prescribed for the purpose. For USD securities, the notice period shall be as stipulated by the Custodian. Provided that if such notice for substitution is received in respect of either of the securities falling into shut period and rendering such substitution impossible, then such notice shall be considered to be invalid;
8. Members shall at the time of making requests for substitution ensure that the security being offered in replacement for the security proposed to be withdrawn forms part of the securities eligible for contribution to SGF at the time of replacement and that the members SGF balance after substitution shall be sufficient to cover its margin obligation.

G) CASH CONTRIBUTION TO SGF – PAYMENTS AND RECEIPTS

1. Members shall effect cash contribution to SGF in USD or in INR as per the work flow process notified by Clearing Corporation from time to time in respect of their respective margin obligations;
2. In the event of such contributions being required to be made in INR, Members shall arrange to directly deposit their contributions to SGF as per work flow process notified by Clearing Corporation from time to time;
3. In the event of such contributions being required to be made in USD, Members shall arrange to deposit their contributions to SGF with the Settlement Bank / Custodian as per work flow process notified by Clearing Corporation from time to time;
4. Clearing Corporation shall not in any manner be responsible for any consequences that may arise on account of non-receipt of deposits from Members towards their cash contributions to SGF;
5. Members shall be entitled to receive credit for their cash deposits into SGF upon receipt of confirmation from RBI / Settlement Bank / Custodian. In the case of INR contributions, this shall mean credit into the Current account of Clearing Corporation. In the case of USD contributions, this shall mean receipt of requisite funds into the accounts of Clearing Corporation with the Settlement Bank / Custodian. Such credit in the Member's SGF shall be reckoned from the start of the business day following the date of receipt of deposit intimation from RBI / Settlement Bank / Custodian;

6. Withdrawal of cash contributions by Members shall be reduced from their SGF balances as and when instructions to transfer such amounts to the Members are issued to RBI and/or Custodian as applicable by Clearing Corporation.

H) CORPORATE ACTIONS ON SECURITIES CONTRIBUTED TO SGF

1. Periodical interest receivable by the Members on their securities contributed to SGF / cash deposited in SGF invested by Clearing Corporation on their behalf shall be received by Clearing Corporation for and on behalf of the Members in the manner and mode prescribed by the Custodian;

Periodical interest receivable by the members on the funds contributed to SGF and invested by Clearing Corporation in securities on their behalf shall be received by the Clearing Corporation for and on behalf of the members in the manner and mode prescribed by Custodian;

2. Interest received by the Clearing Corporation shall be subsequently remitted to the concerned member at the earliest net of costs and taxes, if any. Clearing Corporation shall not be responsible for any delay in receipt of interest by a member and no claim shall rest on the Clearing Corporation on this account.

I) REDEMPTION OF SECURITIES CONTRIBUTED TO SGF

1. Members shall monitor their securities contributions to SGF to ensure that securities falling due for redemption are withdrawn from SGF well in advance before the redemption date and substituted by eligible securities of equivalent value. In the event of their failing to do so, redemption proceeds receivable by the Members on such securities shall be received by Clearing Corporation for and on behalf of the Members in the manner and mode prescribed by Custodian as applicable;
2. Redemption proceeds received by Clearing Corporation shall be treated as additional cash contribution to SGF.

CHAPTER IV : TRADE SETTLEMENT

A) KINDS OF TRADES

1. Clearing Corporation shall notify the kind of forex Trades that it undertakes for Clearing and settlement by giving an advance notice of fourteen business days;
2. The kinds of forex Trades that Clearing Corporation shall undertake for Clearing and settlement shall be based on tenor and currency;
3. Clearing Corporation shall undertake Clearing and Settlement of inter-bank INR/USD Cash, Tom, Spot and Forward Trades as per details hereunder:
4. The tenor based forex Trades shall be:

a) Cash Trades:

Forex Trades where the value date for settlement is the same as the relative trade date. For example: For a deal done on 5th February, 2004 which is a Thursday, the value date for settlement also will be 5th February, 2004, Thursday.

b) Tom Trades:

Forex Trades where the value date for settlement is the next business day from the relative trade date. For example: For a deal done on 4th February, 2004 which is a Wednesday, the value date for settlement will be 5th February, 2004, Thursday.

c) Spot Trades

Forex Trades where the value date for settlement is the second business day from the relative Trade date. For example, for a deal done on 3rd February, 2004 which is a Tuesday the value date for settlement will be 5th February, 2004, Thursday

d) Forward Trades

Forex Trades where the value date for the settlement falls beyond the Spot date. For example for a deal done on 3rd February, 2004 which is a Tuesday, if the value date for settlement is any date beyond 5th February, 2004, such a Trade shall be treated as a forward Trade.

The Trades shall include swaps where one or both legs are forward. Provided that in the case of swap Trades, Members shall ensure that both legs of the Trade are reported separately;

5. The currency based forex Trades shall be:
 - a) **USD/INR Forex Trades**

Forex Trades where the counter-parties Trade in USD and INR, that is where a counter-party buys a certain amount of USD against INR or vice versa at a specified exchange rate agreed to between the parties to the deal for a value date;

6. The Corporation shall conduct at least one settlement per value date of Mumbai for a particular currency pair. The Corporation may not conduct settlement on Saturdays/Sundays and/or any other week day which is not a business day either at Mumbai or New York, USA.
For example 26th January is a holiday in Mumbai but not in New York and 4th July is a holiday in New York but not in Mumbai. However on both these days USD/INR settlement may not be undertaken by the Corporation under these Regulations.

B) TIMINGS

1. Clearing Corporation may specify the time schedule for the reporting of Trades by Members to Clearing Corporation as also for various other activities incidental to the Clearing and Settlement process;
2. The time schedule prescribed by Clearing Corporation in terms of sub-Regulation (1) above is contained in Annexure (I);
3. Clearing Corporation may, in its absolute discretion, be authorised to alter, modify, add, and delete time schedules for the various activities prescribed in sub-Regulation (1) above, and notify the Members of such changes at least 7 days before such changes shall take effect;
Notwithstanding anything contained above, Clearing Corporation may, if it is of the opinion that it is in interest of the market, alter, modify, add and delete time schedule by notifying such changes at least 24 hours before such changes take effect.
4. The Member shall adhere to the time schedules prescribed by Clearing Corporation. Clearing Corporation shall not be responsible for Trades received after the cut-off times prescribed.

C) CAPTURE OF TRADES

I) Deals received from Forex Dealing System:

1. The Trades done on Forex Dealing System (FX Clear) of Clearcorp shall be received and captured directly by Clearing Corporation's Forex Segment for settlement of relative trades of members who have exercised the option. The Trades shall be sorted, stored and processed settlement date-wise in the same form and manner as prescribed for other forex trades received directly from members;
2. Amendments to deal particulars received from FX Clear shall be governed by the rules and regulations prescribed for deals reported directly by members;

II) Deals received directly from Members:

1. The counter-parties to a Trade shall report their deals in IFN300 format (format for trade confirmations prescribed for Members of INFINET);

2. The Trade confirmations shall be received over INFINET and uploaded on to Clearing Corporation's computer systems by the Members. The Trades shall be sorted, stored and processed settlement date-wise.

D) VALIDATIONS

I) Deals received from FX Clear:

1. Clearing Corporation shall treat all trades received from FX Clear as valid trades;
2. The Member shall be responsible for ensuring that amendments to a Trade, if any, are reported to Clearing Corporation in the IFN 300 format specified;
3. The Member shall ensure that such amended Trades, as per sub-Regulation (2) above are duly reported to Clearing Corporation within the time limit prescribed for the purpose;
4. i) Amendments shall not be accepted for trades already accepted for settlement.
ii) Amendments, if any, reported by the Members, after the original Trade has been matched but not yet taken up for exposure check/or pending exposure, shall be acted upon only if the amended confirmation is received from both the parties to the Trade within the time limit prescribed for the purpose of reporting of Trades for the settlement date, failing which Clearing Corporation shall proceed with the original matched Trade.
iii) Amendments, if any, reported by the Members for all the unmatched deals shall be acted upon, provided they are received within the time limit prescribed.

II) Deals received directly from Members:

1. Clearing Corporation shall perform validation checks on the Trades captured.
2. The validation checks shall be run to ensure that:
 - a) Both the parties to the Trades are Members of Clearing Corporation;
 - b) no information, as required in the format prescribed, is missing from the Trades reported;
 - c) there is no duplication of Trades reported.
3. If any error is detected during the validation checks, Clearing Corporation shall advise such rejection in its Trade Status Report to that Member;
4. The Member shall be responsible for ensuring that amendments to a Trade, if any, are reported to Clearing Corporation in the format specified;
5. i) Amendments shall not be accepted for trades already accepted for settlement.

ii) Amendments, if any, reported by the Members, after the original Trade has been matched but not yet taken up for exposure check/or pending exposure, shall be acted upon only if the amended confirmation is received from both the parties to the Trade within the time limit prescribed for the purpose of reporting of Trades for the settlement date, failing which Clearing Corporation shall proceed with the original matched Trade.

iii) Amendments, if any, reported by the Members for all the unmatched deals shall be acted upon, provided they are received within the time limit prescribed. .

E) MATCHING OF FOREX TRADES

1. Clearing Corporation shall match all valid captured Trades to arrive at the net position of a Member.

Clearing Corporation shall match fields containing Membership ID, counterparty ID, exchange rate, Trade date, value date, foreign currency and rupee amounts.

The settlement instructions shall be as obtaining in Clearing Corporation's Member Master Database;

2. Clearing Corporation shall treat Trades as unmatched under the following conditions:
 - a. If the fields indicated in sub-Regulation(1) above do not match with the corresponding details of Trades as reported by the counter- party to such Trades;
 - b. If deal confirmations from both parties to the Trade have not been received within the time limits prescribed for the purpose;
3. Clearing Corporation shall furnish each Member with a Trade Status Report in the format prescribed in Annexure IV.

F) EXPOSURE CONTROL

1. Clearing Corporation shall arrive at the net position of each trading Member and thereafter check the matched Trades for ensuring that the Trades are within the exposure limits;
2. The Trades which result in a breach of exposure limits of a Member shall remain in queue and be eligible for consideration on a FIFO basis. Exposure validation for all the Trades in the queue shall be performed on a continuous and ongoing basis.

G) REJECTION OF TRADES

I) Deals received from FX Clear:

1. Clearing Corporation shall, after the prescribed cut-off time as set out in Annexure I, reject the following Trades received from FX Clear for settlement:

- a) Trades received from FX-Clear which fails the risk exposure check;
 - b) Amendments relating to the trade have been received by Clearing Corporation from the Member after the cut-off time as set out in Annexure I;
 - c) Amendments relating to a trade already accepted for settlement.
 - d) In the event of a sudden occurrence when Clearing and Settlement operations for the particular settlement date have been temporarily suspended.
2. In the event a Trade is rejected by Clearing Corporation for any of the reason stated above, the Trade received from the counterparty shall also stand rejected.

II) Deals received directly from Members:

1. Clearing Corporation shall, at the prescribed cut-off time as set out in Annexure I, reject the following Trades reported to it by Members for settlement.
 - a) Trades reported by a Member which fails the risk exposure check;
 - b) When Trades reported by a Member are invalid, i.e., when there is any inaccuracy in the reporting of the Trade viz., incorrect Membership ID etc;
 - c) When the matching confirmation from the counterparty has not been received before the cut-off time as set out in Annexure I.
 - d) Amendments relating to a Trade, have been received by Clearing Corporation from the Member after the cut-off time as set out in Annexure I e.g., Trade for value T+2 received after 12.30 pm on T+1;
 - e) Amendments relate to a trade already accepted for settlement.
 - f) In the event of a sudden occurrence when Clearing and Settlement operations for the particular settlement date have been temporarily suspended.
2. In the event a Trade is rejected by Clearing Corporation for any of the reason stated above, the Trade reported by the counterparty shall also stand rejected.

H) STATUS OF TRADES

1. All Trades reported by Members for Clearing and Settlement through Clearing Corporation have to be specifically accepted for settlement by Clearing Corporation;
2. If at the end of a settlement cycle, a specific Trade has not been accepted, such Trade shall be construed to have been rejected by Clearing Corporation.

I) SETTLEMENT OBLIGATIONS OF MEMBERS

1. A Member shall receive from Clearing Corporation a Final Net Position Report in respect of Trades accepted for Clearing and Settlement as per format prescribed in Annexure III by the cut-off time prescribed for the purpose in Annexure(I);

2. (a) Member having a net payable position in USD shall;

(i) have executed a Direct Debit Mandate (MT 204) to enable Clearing Corporation to raise a direct debit with the Member's Correspondent Bank in USD to collect the payable position in USD; or

(ii) shall send the necessary payment instructions to its correspondent bank for its payment obligations in USD and shall confirm to Clearing Corporation by forwarding a copy of the SWIFT acknowledgement of the message sent.

Settlement of all trade obligations by a member shall be deemed to have been completed by that member upon actual receipt of payment by Clearing Corporation into its NOSTRO account(s) on the settlement date within the cut-off time specified for the purpose;

(b) Direct Debit Arrangement

(i) A member authorizing the Clearing Corporation to raise a direct debit shall execute the Debit Mandate in such form and manner as may be specified by Clearing Corporation. Such execution shall be carried out by duly authorized signatory/ies after having obtained necessary internal approvals for the said purpose.

(ii) Clearing Corporation shall, for such Member, directly debit such sums from the relevant NOSTRO accounts of the member as are required to settle the member's net payable positions in USD at the cut-off times notified by Clearing Corporation in respect of the relevant transactions on that settlement day.

(iii) If the Member's NOSTRO account is in breach of its obligations under the Direct Debit Mandate, the Member shall pay Clearing Corporation the relevant amount on that banking day.

(iv) The direct debit arrangement shall be governed by the terms set out in the Direct Debit Mandate agreement between the Member and Clearing Corporation

3. For the INR leg, Members shall give to the RBI a mandate for operating on their Current Accounts for the transactions arising out of the Clearing and Settlement services undertaken by Clearing Corporation;

4. A Member shall ensure that there are adequate funds in its Nostro account with the correspondent bank / Current Account with RBI to meet payment obligations in the respective currency;

5. For USD payment obligations, the Member shall ensure availability of sufficient funds on value date in terms of its Final Net Position report as per para I (1) above prior to the cut-off time specified for the purpose.

6. Every Member shall have authorized RBI to permit Clearing Corporation to debit/appropriate/withhold INR funds lying in their Current Accounts with RBI for default handling, should such steps become necessary in terms of the procedure outlined in Chapter VI relating to "Defaults" of these Regulations.

J) SETTLEMENT PROCESS

1. Settlement of all matched cash, tom, spot and forward inter-bank USD-INR forex Trades shall be effected through a process of netting by novation. Such settlement will be on a multilateral netting basis;
2. If two Members enter into a forex transaction governed by Bye-Laws, Rules and Regulations and the transaction is novated by Clearing Corporation, then each such member's currency obligation shall be deemed to have been individually cancelled and simultaneously replaced by a new obligation in the same currency as against Clearing Corporation for the same value date.
The amounts of such currency that shall otherwise have been deliverable or receivable by each Member to or from every other counter-party Member on such value date shall be netted and replaced by a contract for the net deliverable or receivable to or from Clearing Corporation;
3. Novation shall take effect as and when Clearing Corporation accepts the trade for settlement which may be Trade date for Cash, Tom and Spot trades and on S-2 day for forward trades.
4. Clearing Corporation shall also issue a Provisional Net Obligation statement to the Member covering trades accepted for settlement upto the cut-off time on S-1 day, as a matter of guidance and the acceptance document for all obligations shall be the Statement for Final obligation statement which will include all trades accepted for settlement for a settlement date on S day.

K) MODES OF PAYMENT

Clearing Corporation may from time to time prescribe different modes of payments and the conditions which such payments may be subject to. Without prejudice to the generality of the above, the modes of payments for all Trades are specified under:

- a) USD payments shall be effected through the nostro account maintained by the Member with its correspondent bank. Members shall designate a single nostro account for the purpose;
Members shall notify any change in settlement instructions at least 7 days before such changes take effect;
- b) INR payments shall be effected through current accounts maintained by the Members with RBI. The RBI Regulations relating to current accounts shall form part of any settlement process so prescribed.

L) REPORTS

Clearing Corporation shall generate and provide to each Member the Reports as per Schedule in Annexure X:

1. Trade Status Report

Trade Status Report shall include details of all Trades received from a Member and the status thereof as at the time of report, i.e., whether valid, matched, pending match, accepted/rejected, pending exposure check or otherwise

2. Provisional Net Position Report

This Report:

Shall contain details of the provisional net position of the Member in USD and INR on S-1 day covering trades accepted for settlement upto the cut-off time on S-1 day. For avoidance of any doubt this report shall be considered only as a matter of guidance.

3. Final Net Position Report

This Report:

- a. Shall contain details of the net position of the Member in USD and INR for a settlement date and shall include all Trades accepted for settlement for arriving at such position;
- b. Shall be deemed to be a Member's confirmation of the different Trades for which funds are to be received from and/or paid to the Member on the settlement date;
- c. Shall be deemed to be a Member's instructions to RBI for effecting settlement of these Trades in its current account.
- d. Shall be deemed to constitute instructions to the Member for issuance of necessary payment instructions to its Correspondent Bank for ensuring settlement on the value date.

The above reports may be in such formats as may be prescribed by Clearing Corporation from time to time.

M) FAILURE IN PAYMENT

If a member fails to pay INR funds on the settlement date or USD funds at the time as specified in the Window of Operations on the settlement date, it shall be considered an act of default by that member. Such default shall be dealt with as provided for in the Chapter VI relating to "Defaults" in these Regulations.

CHAPTER V : NET DEBIT CAP, EXPOSURE LIMIT AND MARGINS

A) NET DEBIT CAP

- i) Clearing Corporation shall set Net Debit Cap(NDC) for each Member which shall constitute the maximum potential devolvement upon Clearing Corporation, for a given settlement date, arising out of the Member's failure to honour its commitment; Net Debit Cap Limits for USD/INR Trades shall be denominated in USD.
- ii) Clearing Corporation shall set NDC depending on the ratings/gradings assigned to the members on the basis of certain financial parameters including Net Worth, asset quality etc. as decided by Clearing Corporation from time to time. Clearing Corporation may take the assistance of any reputed Rating Agency for arriving at such ratings/gradings and the decision of Clearing Corporation in regard to the selection of agency or in regard to the ratings/gradings arrived at for the members shall be final and binding on the members.
- iii) The NDC set for the members may be reviewed periodically and Clearing Corporation may alter NDCs based on such review under advice to the concerned members.
- iv) For the purpose of setting NDC for the members, Clearing Corporation shall be entitled to seek from the members information in regard to their financial positions, management & ownership structure, balances with Reserve Bank of India, state of their Regulatory compliance etc. Such information is to be furnished by the members within such time as required by Clearing Corporation.

In case any member fails to submit such information, Clearing Corporation, at its sole discretion may step up the margin factor for such member till the review for the member is completed.

- v) Notwithstanding anything contained herein, it shall be open for Clearing Corporation to reduce or cancel (set it at NIL) the NDC for any member, under advice to the concerned member, if Clearing Corporation is of the view, based on any adverse market report or other adverse information available to it or on the member's failure to fulfill any settlement obligation, that such reduction/cancellation of NDC shall be necessary to protect its own interest and/or the interest of its members, in which case the decision of Clearing Corporation shall be final.

B) EXPOSURE LIMIT

- i) Clearing Corporation shall compute and set an Exposure Limit for each member based on its balance in Settlement Guarantee Fund (SGF) and the Margin Factor applicable for the concerned member in the manner prescribed in Chapter VII. The maximum ceiling for the Exposure Limit for a member shall be the Net Debit Cap set for such member.
- ii) Except under circumstances where temporary enhancement to the Net Debit Cap is allowed in terms of para B.4 of Chapter VII, Exposure Limit shall be the limit for the

maximum Net Payable amount in USD by the Member, for a given settlement date, for which a Member can settle its Trades through Clearing Corporation.

C) MARGIN FACTOR

i) Clearing Corporation may set Margin Factor for each member. The components for such factor may include:

a) Credit Factor - depending on the ratings/gradings assigned to the members based on certain financial parameters including Net Worth, asset quality etc. as decided by Clearing Corporation from time to time. Clearing Corporation may take the assistance of any reputed Rating Agency for arriving at such ratings/gradings and the decision of Clearing Corporation in regard to the selection of agency or in regard to the ratings/gradings arrived at for the members shall be final and binding on the members.

b) Volatility Factor - based on Value at Risk for USD/INR exchange rates for three day holding period or on such other means as may be decided by Clearing Corporation.

Clearing Corporation may from time to time notify the process for setting margin factor .

ii) The margin factors for the members may be reviewed periodically and Clearing Corporation may alter such margin factors based on such review under advice to the concerned members.

iii) Notwithstanding anything contained herein, it shall be open for Clearing Corporation to increase the Margin Factor for any member, under advice to the concerned member, if Clearing Corporation is of the view, based on any adverse market report or adverse information available to it, that such increase if any, is necessary to protect its own interest and/or the interest of its members, in which case the decision of Clearing Corporation shall be final..

D) MARK TO MARKET & VOLATILITY MARGIN

i) Apart from setting up NDC and Margin Factors as above, Clearing Corporation may from time to time prescribe the requirements of various other forms of margins for Trades settled through Clearing Corporation and Members shall provide such margins as a condition precedent.

ii) The margins to be provided by a Member shall be:

a) Mark to Market Margin

Mark to Market margin constitutes the margin obligation required to be fulfilled by a Member as its contribution to SGF in relation to adverse price movements or on account of accepting trades at off market price (as outlined in Chapter VII relating to "Risk Management" in these Regulations).

b) Volatility Margin

Volatility Margin comprises the margin obligation required to be fulfilled by a Member as its contribution to SGF in relation to sudden increase in market volatility and shall be applicable, at the discretion of Clearing Corporation, on

Outstanding Trades in respect of the Member and/or Securities contribution to SGF by the Member.

Members shall be notified by Clearing Corporation prior to the collection and/or maintenance of above Margins.

E) LIEN ON MARGINS

- i) A Member's contribution by way of margins either in the form of cash or securities shall be subject to a first and paramount lien for all sums due to Clearing Corporation.
- ii) Margins shall be available in preference to all other claims against the Member for due fulfillment of its obligations and liabilities arising out of, or incidental to, any deals made subject to Bye-Laws, Rules and Regulations of Clearing Corporation or anything done in pursuance thereof.

F) SUSPENSION ON FAILURE TO PAY MARGIN

Notwithstanding anything contained elsewhere in these Regulations:-

- i) If a Member fails to fulfill its margin obligation at the close of business hours on the day following the day when a margin call has been made, Clearing Corporation shall be entitled to temporarily suspend the Membership rights of such a Member;
- ii) A Member shall be liable to pay penalty as notified from time to time on the Margin shortfall for the period of delay in fulfilling its margin obligations. While computing penalty only business day may be reckoned provided such penalty and margin default is paid / replenished by the defaulting member on the next business day. However, in the event of failure by a member to honour its obligation on the next business day, as above, the actual number of days including intervening holidays, Sunday and non-business days shall be reckoned for calculation of penalty amount.
- iii) Clearing Corporation shall be entitled to recover additional penalties/ charges from the Member as per rates notified from time to time pertaining to Fees and Charges;
- iv) The Membership of a Member who has been subjected to temporary suspension due to non-fulfillment of margin obligation on more than three occasions in a calendar half year shall automatically come up for review.
- v) Notwithstanding anything stated in sub-regulations F(ii) above, Clearing Corporation may stipulate higher penalty at the rate as notified from time to time if the margin shortfall in any member's account exceeds three business days per calendar quarter.

CHAPTER VI : DEFAULTS

A) DECLARATION OF DEFAULT

A Member failing to deliver and/or pay funds due from it shall be treated as a defaulter.

B) DELIVERIES DUE TO THE DEFAULTER

1. Clearing Corporation shall have the right to withhold the USD funds due to a defaulting Member in the event of non-delivery by that member of INR funds;
2. Clearing Corporation shall have the right to withhold the INR funds or to instruct the RBI to debit the Current Account of the defaulting Member with the INR funds received by that member in the event of non-delivery of USD funds.

C) PENALTY FOR FAILURE TO GIVE OR TAKE DELIVERY

Clearing Corporation shall impose on a defaulter, penalty and other charges as notified from time to time. While computing penalty only business day may be reckoned provided such penalty and default is paid / replenished by the defaulting member on the next business day. However, in the event of failure by a member to honour its obligation on the next business day, as above, the actual number of days including intervening holidays, Sunday and non-business days shall be reckoned for calculation of penalty amount.

D) SHORTAGE HANDLING PROCEDURE

1. Default on USD obligation

- a. When a member fails to deliver the required amount of USD to the credit of and in the account of Clearing Corporation with the Settlement Agent at the time as specified in the Window of Operations on the Settlement date, such failure on the part of that member shall be termed as default and shall be settled as follows:
- b. Subject to the other provisions of these Regulations, Clearing Corporation shall make good, at the cost of the defaulting Member, the shortfall that has arisen in its USD account with its designated Settlement Agent, either by availing of a line of credit or overdraft facility available if any, or by borrowing from an Indian or overseas entity or by purchase of such currency against INR funds available or any other source of funding as Clearing Corporation may deem fit.
- c. In the event that Clearing Corporation is unable to fully meet the shortfall by the processes described at Sub-Regulation (b) above, the residual amount, (i.e., the amount by which the shortfall exceeds the available resources as detailed in Sub-Regulation (b) above) shall be apportioned among the Members who had to receive payment from the defaulting Member(s) as on the value date.
- d. The defaulting Member shall repay the amount of USD default before 12 noon (IST) on the next business day (i.e., the business day immediately following the default date) to the credit of the specified account of Clearing Corporation with

the Settlement Agent. Provided that Clearing Corporation shall, in its absolute discretion, be authorized to amend the prescribed cut-off time by giving appropriate advance notice to all Members;

- e. Clearing Corporation shall, in terms of the member's mandate to RBI, pending fulfillment of settlement obligations by the defaulting member, debit the current account of the defaulting member with Reserve Bank of India with the INR pay-out made to the member the previous day. The INR will be credited back to the member's account on receipt of confirmation regarding credit of the USD amount in default to the account of the Corporation with the Settlement Agent.

In the event of the defaulting Member being unable to pay the amount of USD default before the cut-off time prescribed in Sub-Regulation(d) above, Clearing Corporation shall utilize the INR debited to the member's account to purchase the amount of USD in default for settlement on cash basis i.e., for same day settlement to liquidate the arrangements that had been made by Clearing Corporation to meet the USD default. The foreign currency shall be bought at the prevailing inter-bank exchange rate that Clearing Corporation is able to obtain in the inter-bank forex market at the time of conversion. The exchange loss, if any, arising on account of such conversion, shall be borne by the defaulting Member. Clearing Corporation's decision in this regard shall be final and binding on the defaulting Member together with all costs and penalties relating thereto;

- f. In the event of the Current Account of the defaulting Member with Reserve Bank of India not having adequate INR or the funds recovered falling short of the default amount on account of exchange fluctuations, Clearing Corporation shall
 - i. retain the right to withhold pay-out if any to the member for the two business days subsequent to the date of default in respect of trades already accepted for settlement. The release of funds so withheld will be contingent upon the member's fulfilling his settlement obligation for the day of default.
 - ii. invoke the provisions of the Loss Allocation Procedure, as outlined in sub-Regulation (3) below, to liquidate the arrangements that had been made to meet the concerned USD default.
- g. The defaulting member shall repay the interest, charges and penalties arising on account of the default before 3 pm on the next business day (i.e., the business day immediately following the default date);
- h. Amounts recovered from the defaulting Member and/or appropriated from its contribution to SGF (including by way of sale or otherwise of securities) subsequent to the procedure outlined at Sub-Regulation(f) above, shall be shared among the Members who have shared the Loss under the Loss Allocation Procedure in the same proportion as that of loss allocation.

2. **Default on Indian Rupee obligation:**

- a) When a Member fails to deliver the INR funds towards the settlement of its currency obligations on the value date, such failure on the part of the Member shall be termed as a default and shall be settled as follows:

- b) Clearing Corporation shall make good, at the cost of the defaulting Member, the shortfall by availing of a line of credit facility from a credit supporter against Guarantee Fund or borrowings or such other means as the Corporation may deem fit in this respect;
- c) Clearing Corporation shall withhold the foreign currency payments i.e., USD payments due to be made to the defaulting Member. Provided that in case of an unscheduled holiday on the day, or due to delay in receipt of rupee fund, if the USD payment has preceded the INR payments, the defaulter Member shall be under an obligation to refund the amount received on the business day next to the date of receipt, and such amount shall be deemed to be held in trust by the concerned member for and on behalf of Clearing Corporation till actual refund of the amount to Clearing Corporation;
- d) The defaulting Member shall repay the INR funds before 12 noon on the next business date (i.e., the business day immediately following the default date) to the credit of the specified Current Account of Clearing Corporation with the Reserve Bank of India. Provided that Clearing Corporation shall, in its absolute discretion, be authorized to amend the prescribed cut-off time by giving appropriate advance notice to all Members;
- e) Clearing Corporation shall, upon verification and being satisfied about receipt of amount of INR default together with all interest, penalties and charges from the defaulting Member within the time limits prescribed in sub-Regulation (d) above, instruct the Settlement Agent to release the USD funds payable to the account of the defaulting Member;
- f) In the event of the defaulting Member not honouring its INR default obligation together with all charges, fees etc. within the time specified in sub-Regulation (d) above, Clearing Corporation shall on the same day, utilise the foreign currency (USD) withheld from delivery to the defaulting Member (in terms of sub-Regulation(c) above) to generate INR funds for settlement on cash basis i.e., for same day settlement to liquidate the arrangements that had been made to meet the INR default. Such conversion shall be effected at the prevailing inter-bank exchange rate that Clearing Corporation is able to obtain in the inter-bank forex market at the time of conversion. The exchange loss, if any, arising on account of such conversion, shall be borne by the defaulting Member. Clearing Corporation's decision in this regard shall be final and binding on the defaulting Member together with all interests, costs and penalties relating thereto;
- g) In the event of INR funds generated out of the conversion of USD funds withheld from delivery to the defaulting Member (in terms of sub-Regulation(c) above) not being sufficient to cover the amount of INR default obligations together with interest, charges, penalties etc., Clearing Corporation shall invoke the provisions of the Loss Allocation Procedure, as outlined in sub-Regulation(3) below, to liquidate the arrangements that had been made to meet the INR default;
- h) Amounts recovered from the defaulting Member and/or appropriated from its contribution to SGF (including by way of sale or otherwise of securities) subsequent to the procedure outlined at sub-Regulation(g) above, shall be shared among all the Members in the same proportion as that of loss allocation.

3. Loss Allocation Procedure

- a) Clearing Corporation shall initiate all measures that are prudent and necessary to meet a funds shortage in order to ensure that Trades are settled and all Members except the defaulter receive funds as due to them;
- b) Clearing Corporation shall appropriate the SGF contribution of the defaulting Member prior to apportionment of settlement loss as part of the loss allocation procedure. In the event of Clearing Corporation being unable to enforce any part of such SGF contribution of the defaulting Member due to any unavoidable reasons and/or insufficiency of such SGF to fully extinguish the settlement loss, such shortfall shall be recovered by apportioning the same among the Members who had to receive payment from the defaulting Member(s) in proportion to their individual net exposure in the currency of default to the defaulting Member(s) as on the value date as per provisions of sub-Regulations D(1)(f) and D(2)(g) and the amounts subsequently received from the defaulting Member shall be apportioned amongst the Members who have contributed as per the said provisions;
- c) The share of each Member in the loss allocation procedure outlined above will be equal to the defaulting Member's Default amount, multiplied by the notional net bilateral amount payable by the defaulting Member to other Members and divided by the total net receivables of Members from the defaulting Member;
- d) In the event of default by more than one Member on its payment obligation, and the Loss Allocation Procedure being resorted to by Clearing Corporation, the amount to be allocated amongst the other Members shall exclude all Trades done by the defaulting Members with each other.
- e) Any Member who fails to remit sums apportioned by Clearing Corporation in accordance with Bye-laws, Rules and Regulations within the time limit prescribed by Clearing Corporation for the purpose, shall be a defaulter and Clearing Corporation may initiate action against the said Member in accordance with Bye-laws, Rules and Regulations. Such action may include invoking loss allocation procedure as if the member in default under this sub-clause is a defaulter in meeting its settlement obligations.

E) DEFAULT OBLIGATIONS

- 1 The net debit cap available to a defaulting Member shall be withdrawn pending settlement of the default obligation;
- 2 The defaulter shall be liable to make payment equivalent to the shortfall within the cut-off time specified in (Annexure I);
- 3 The defaulter shall be liable to make payment equivalent to the interest, charges, penalties and other levies as per Annexure appended hereto within the cut-off time specified in (Annexure I)
- 4 The SGF contributions of the defaulting Member shall be blocked pending settlement of default obligation;
- 5 In the event of the defaulter not making payment equivalent to the shortfall together with interest, charges, penalties and other levies as described above, Clearing Corporation shall have the absolute right to use the INR funds recovered from the Current Account of the defaulting Member with RBI and/or appropriate the

USD funds withheld from delivery to the defaulting Member towards fulfillment of the default obligation;

- 6 In the event that the corresponding funds recovered, in terms of sub-Regulation 4 above, are insufficient to cover the default obligation, Clearing Corporation shall be authorised to appropriate the defaulter's contribution to SGF and/or any other funds that may be due to that defaulting Member towards the recovery of its default obligation;

CHAPTER VII : RISK MANAGEMENT

A) SCOPE

The provisions of this Chapter are outlines of the risk management policy of Clearing Corporation for its Forex Settlement Segment Clearing Corporation shall have the sole discretion to improve upon and better perfect its policies relating to risk containment measures from time to time.

Clearing Corporation shall cover the risk through a prescription of

1. Net Debit Cap, for each Member as defined in Sub regulations A in Chapter V
2. Member specific Margin Factor as defined in Sub regulations C in Chapter V and collection of margins by way of contribution to SGF in the form of USD/INR funds, cash, securities etc. as prescribed from time to time
3. Member specific Exposure Limit worked out based on balance in Settlement Guarantee Fund (SGF) and the Margin Factor as defined in Sub regulations B.1 below
4. Loss Allocation Mechanism as defined in Regulation D (3) in Chapter VI.

B) PROCESS

1. Exposure Limit for each member shall be worked out on the basis of its balances in SGF (except for the portion earmarked for meeting such member's Mark to Market Margin requirements and/or Volatility Margin requirements, if any) and the Margin Factor applicable for such member [by dividing the balance in SGF (in equivalent USD) of the member with the Margin Factor applicable for such member and expressing the same in rounded USD] and it shall be subjected to a maximum ceiling of the Net Debit Cap set for such member. Exposure limit for a member shall be re-worked as and when there is any change in the balance in SGF for such member (due to withdrawal, deposit or re-valuation, if any) or for any change in NDC or Margin Factor.
2. During the course of processing for netting and settlement, Clearing Corporation shall arrive at the net payable amount in USD by a member in respect of the matched trades pertaining to such member for the respective settlement date and such net amount shall be compared with the exposure limit for the respective member. Such exposure check shall commence on Trade date for cash, tom and spot trades and two days before settlement date for forward trades. If such net payable amount is found to be within the exposure limit as defined in Sub-regulation B.1 above, all such matched trades for such member shall be accepted for guaranteed settlement by Clearing Corporation. If, however, such net payable amount is more than the exposure limit, Clearing Corporation may accept USD sale trades of such member for such amount (in order outlined below) as may result in the net payable amount in USD to be within the exposure limit as stated in Sub-regulation B.1 above. For the purpose of exposure monitoring, matched trades in every batch will be reckoned in the following order till further notice:

- i) Forward Deals received from FX Clear
 - ii) Forward Deals received directly from Members.
 - iii) Spot deals received from FX Clear
 - iv) Spot deals received directly from Members.
 - v) Tom deals received from FX Clear
 - vi) Tom deals received directly from members
 - vii) Cash deals received from FX Clear
 - viii) Cash deals received directly from members
3. (1) A Member shall not be permitted to breach its Exposure Limit (i.e. allowed to get USD sale trades accepted by the Clearing Corporation for guaranteed settlement beyond a limit which may result in net USD sale amount for such member for a given settlement date being in excess of the exposure limit), except where specifically approved by Clearing Corporation as outlined in Sub-Regulation B.4 below.

(2) Upon notification by the Clearing Corporation a member may also not be allowed to have net USD buy position for any settlement date for an amount exceeding the exposure limit set for the member or such multiple thereof, as may be decided by Clearing Corporation from time to time. The multiplier may vary from member to member based on the ratings/gradings assigned to the member for the purpose of arriving at Net Debit Cap as detailed in chapter V Clause A (ii), net worth, settlement records etc. Clearing Corporation's decision in this regard shall be final.

4. Temporary Enhancement of Net Debit Cap:

- 4.1 A Member desirous of a temporary enhancement of the Exposure Limit shall give in writing an advance notice of at least 1 business day to Clearing Corporation in the format prescribed in Annexure IX. Clearing Corporation shall consider such application on merits subject to the Member agreeing to arrange an amount equal to 100% of the additional limits sought by it in USD.
- 4.2 Upon obtaining approval, the Member shall arrange to credit the Current Account of Clearing Corporation with the Settlement Bank an amount equal to 100% of the additional limit sought by it latest by the close of business of the business day previous to the day on which such temporary enhancement is sought to be utilised. Clearing Corporation may, at its discretion, upon being satisfied of the actions taken by the Member to ensure that the deposit is in course of transmission, permit utilisation of such temporary enhancement over and above the exposure limit as set out in Para B(1) of Chapter V. For credits made prior to the settlement day, interest earned by Clearing Corporation on such credit, if any, net of costs, charges and taxes etc., shall be paid to the member.
- 4.3 Provided that if it comes to the notice of Clearing Corporation that the amount referred in sub-regulations 4.2 has not been credited to its account with the Settlement Bank by the close of the business day previous to the day of utilization of the enhanced Net Debit Cap, Clearing Corporation shall treat this as Default and be

entitled, at its sole discretion, to withhold INR payment due to the concerned member to the extent of the enhancement granted. Withheld INR amount shall be paid to the Member on the subsequent business day in India upon receipt of counter-value USD funds along with penalty and other charges as notified by Clearing Corporation from time to time and no interest claim shall lie against Clearing Corporation on this account.

- 4.4 Clearing Corporation may, at the specific request of a Member, consider relaxation in the notice period or such other alteration of the terms of temporary enhancement of NDC subject to such terms and conditions as it may decide from time to time.
- 4.5 The Member shall be permitted to withdraw the additional amount deposited as per Sub-regulation B.4.2 above upon fulfillment of his obligations in regard to the settlement for the respective settlement date or shall be allowed to utilize this amount for fulfillment of the settlement obligation for the respective settlement date.

5. Additional limits for USD buy positions

- 5.1 Clearing Corporation may, at its sole discretion, allow the member to have additional limit for USD buy positions in addition to the limits set by Clearing Corporation for such member in terms of clause B.3.2 above. Such limit may be allowed for a single settlement date or for certain specified period, as the case may be. The member availing of such limit shall deposit such margin as may be required by Clearing Corporation in terms of its Risk Management process. Any amount deposited by the member on this account shall be allowed to be withdrawn only after the additional exposures taken on the account of the member due to such additional limit is extinguished.

Any deposit of margin in this regard may be treated as an additional contribution to the SGF of the member and shall be subject to the Regulations applicable for such SGF.

- 5.2 It shall be the responsibility of the members to ensure that their net USD buy position for any settlement date do not at any point of time exceed the limit for USD buy position set by Clearing Corporation in terms of the clauses B 3.2 and B 5.1 as above. In case it is observed that the member has exceeded such limit for any settlement date, the member shall be liable to pay penalty at a rate notified by Clearing Corporation in this regard.
- 5.3 In case of any unscheduled holiday, if the amount of USD payable to a member on account of USD buy position of such member is in excess of the exposure limit set by Clearing Corporation, Clearing Corporation shall be entitled to defer the US Dollar payout to the member in excess of the exposure limit, till receipt of the counter-value INR funds. Member shall however be entitled to receive any interest earned by the Clearing Corporation on such USD amount, net of incidental cost.

6. Mark to Market margin shall be applicable for

- (a) Forward trades accepted for guaranteed settlement by the Clearing Corporation on trade date and/or

- (b) Trades accepted for guaranteed settlement by the Clearing Corporation for a Settlement day where the deal prices in the opinion of Clearing Corporation are not in line with the current market prices ,

Mark to market margins shall be collected trade-wise from the members holding adverse position. Such margin shall be computed based on the INR/USD exchange rates and/or forward exchange rates, as applicable, prevailing at the time of such computation and Clearing Corporation shall be entitled to use such rates for mark to market margin computation as it considers reasonable. Mark to Market margin requirements may, however, be introduced by Clearing Corporation after due notification and the process to be followed would be notified through such notification.

C) VALUATION OF SECURITIES IN SGF

- 1.1 The securities contributed by Members to SGF shall be subject to a valuation exercise on each valuation day. Clearing Corporation shall be entitled, at its absolute discretion, to change the frequency of such valuation.
- 1.2 Clearing Corporation shall, in its absolute discretion, specify hair-cuts on the respective market value as per rates prescribed for eligible securities from time to time.
- 1.3 Members' contribution to SGF shall be subjected to a valuation exercise at every instance of deposits and / or withdrawals from its SGF at the end of the business day at the then prevailing mark to market prices.
- 1.4 Valuation for USD securities given by members as contribution to SGF shall be computed by the Clearing Corporation based on the valuation provided by the Custodian.

D) Volatility Margin

- 1.1 Volatility Margin constitutes the margin obligation required to be fulfilled by a Member as its contribution to SGF in relation to a sudden increase in volatility of INR/USD exchange rates and shall be applied, at the discretion of Clearing Corporation, on the Outstanding trades of the member accepted for settlement;
- 1.2 Such Margin as determined by CCIL may be imposed by Clearing Corporation at any time during the day and as a result the exposure limits set for the members may get reduced;
- 1.3 Members will be notified by Clearing Corporation prior to the collection and/or application of volatility margin.
- 1.4 Upon imposition of Volatility Margin, if it is observed that the Exposure limit of any member is inadequate to cover the outstanding trades on account of the member accepted by CCIL, it shall be the responsibility of the said member to replenish the shortfall as directed by Clearing Corporation.

CHAPTER VIII : CHARGES

A) SCHEDULE OF FEES AND CHARGES

1. The Board or any Committee appointed by the Board or other official(s) of Clearing Corporation authorized by the Board in that behalf shall prescribe the fees, charges, levies, and/or penalties payable by Members for services provided by Clearing Corporation from time to time;
2. The Board or any Committee appointed by the Board or any other official(s) of Clearing Corporation authorized by the Board in that behalf shall be empowered to review the various fees, charges, levies, and/or penalties and effect such changes in the same as it considers necessary;
3. The schedule of such charges payable by members shall be notified by Clearing Corporation from time to time;

B) BILLS FOR FEES AND CHARGES

1. Clearing Corporation shall render to the Members monthly bills relating to its fees and charges for the services provided by Clearing Corporation;
2. The bills of Clearing Corporation shall be notified to the Members at monthly intervals on the first business day of every month, in respect of fees and charges relating to services rendered in the immediately preceding month;
3. The Members shall review their monthly bills and notify Clearing Corporation of discrepancies, if any, with all necessary details latest within two days from the date of notification of the relative bill;

C) RECOVERY OF FEES AND CHARGES

1. Members shall effect payment of the fees and charges payable by them to Clearing Corporation in terms of their monthly bills (as per sub-Regulation (B) above) as may be notified from time to time, by the 10th calendar day of every business month quoting their Member ID and key words as specified in the statement; Members shall be liable to pay penalty on delayed payment of charges as notified by Clearing Corporation from time to time;
2. Penalties and/or other levies shall be payable by the Members separately as and when such demand is made on a Member by Clearing Corporation;
3. For a default on the USD leg, the penalty computed shall be converted to INR using the Reference Rate announced by the Reserve Bank of India on the default date.

CHAPTER IX : SUDDEN EVENT HANDLING

Due to the occurrence of unforeseen events or circumstances leading to the declaration of an Unscheduled Holiday (in India or in United States of America), it may be required to alter the Schedules of Clearing and Settlements of Trades by the Clearing Corporation.

In such an eventuality, the following procedures shall be adopted:

A) UNSCHEDULED HOLIDAY IN INDIA AND USA

1. Trades other than cash deals due to be reported for acceptance on the Unscheduled Holiday shall be accepted on the next business date up to the prescribed cut-off time.
2. Trades falling due for Settlement on the Unscheduled holiday shall be postponed for settlement to the next Indian and US business day. Exposure Monitoring and Netting shall be carried out on such revised Settlement date.
3. Trades due for settlement on such days shall be aggregated with trades due for settlement on the next business day.

B) UNSCHEDULED HOLIDAY IN INDIA.

1. Trades other than cash deals due to be reported for acceptance on the Unscheduled Holiday shall be accepted on the next business date up to the prescribed cut-off time. The Cut-off time for the same shall be as prescribed in the time schedule in Annexure I.
2. Trades due for settlement on the Unscheduled Holiday shall be settled on the same day by
 - a) issue of INR settlement instructions to the RBI (in case RBI is functioning);
 - b) issue of USD settlement instructions to the Settlement Agent, subject to Clause (B)(5.3) of Chapter VII of these Regulations.
3. In the event RBI is not functioning, the INR leg shall be settled on the next business day provided that -

(a) Clearing Corporation shall, in terms of Chapter VI (D) (1) (e), have the right to with-hold the INR payment to the Member who has defaulted on the USD payment on unscheduled holiday in India.

(b) In the event a Member has defaulted in the INR leg, such member shall refund the USD payment received in terms of Chapter VI (D) (2) (c) on the next business day after the unscheduled holiday.

4. If for unavoidable reasons the Final Net Position Report is not generated by Clearing Corporation, it shall reserve the right to advise the members to treat the Provisional Net Position Report as Final.

C) Unscheduled Holiday in the US

1. Trades shall be accepted on the same day for clearing and settlement by Clearing Corporation.
2. Trades due for settlement on the Unscheduled Holiday shall be settled on the same day by
 - a) issue of USD settlement instructions to the Settlement Agent
 - b) issue of INR settlement Instructions to the Reserve Bank of India.
3. In the event the Settlement Agent is not functioning, the USD Settlement shall take place on the next working date, provided that -
 - (a) Clearing Corporation shall exercise the right to withhold the USD payment to the member who has defaulted in INR payment on the unscheduled holiday in US in terms of Chapter VI (D) (2) (c).
 - (b) Clearing Corporation shall have the right to authorise Reserve Bank of India to debit the account of the Member bank who has defaulted in settling USD with the counter-value INR credit already paid in terms of Chapter VI (D) (1) (e).

D) SETTLEMENT OF CLAIMS:

- (i) Interest claims arising out of delayed payments on account of the Unscheduled Holiday shall be settled by the Clearing Corporation by payment to or recovery from the members at the rate notified by Clearing Corporation.
- (ii) No Interest shall be payable to a Member who has defaulted in the payment of the settlement obligation on the Scheduled Value date.

CHAPTER X : MISCELLANEOUS

1) LIABILITY OF CLEARING CORPORATION

- a) Clearing Corporation shall not be deemed to guarantee the title, ownership, genuineness, regularity or validity of any security or any document passing through Clearing Corporation and shall not in any manner whatsoever be and/or deemed to be associated with and/or be responsible for, the underlying transactions of the relatives Trades;
- b) The only obligation of Clearing Corporation shall be to facilitate clearing, settlement, delivery and payment of funds between Members in consideration of the Members fulfilling all the requirements of these Regulations and Bye -Laws and such other Rules and other requirements prescribed by Clearing Corporation from time to time. Provided that no claim, liability and/or responsibility shall rest with Clearing Corporation and/or any of its officials in the event of such clearing, settlement, delivery and payment of securities and/or funds not being facilitated for reasons beyond the scope and control of Clearing Corporation.

2) Suspension rights of Clearing Corporation

- a) Clearing Corporation may suspend its members as specified in the Regulations.
- b) Managing Director of Clearing Corporation or a Committee of not less than two officials nominated by the Managing Director (MD) may disable a Member from accessing the facilities of Clearing Corporation if in the opinion of the MD or the Committee of officials circumstances exist warranting disablement pending suspension. Provided that, within 4 hours after such disablement, the MD or the Committee of officials as the case may be shall record in writing the reasons for such disablement provided however that the same shall be reported at the next Board or the Committee meeting whichever is earlier. After such disablement, Clearing Corporation shall communicate the information to other members.

CCIL – Forex Regulations

(ANNEXURE I)

Window of Operations - Timings (all references to timings in these documents refer to IST unless otherwise specified)

Nature of activity	Cut off Time
Reporting to CCIL / Exchange of confirmations for cash and Tom trades	Up to 12.30 a.m. on S day
Reporting to CCIL / Exchange of confirmations for spot and forward trades	Up to 12.30 a.m. on S-1 day
Report of Deal Status from CCIL to Member for cash and tom trades	1 p.m. on S day
Report of Deal Status from CCIL to Member for spot and forwards trades	1 p.m on S-1 day
Provisional Net Position Report to Members for spot and forward trades	1.30 p.m. on S-1 day
Final Net Position Report to members for cash, tom, spot and forward trades	1.30 p.m on S day.
Confirmation from Paying Members having sent payment instructions to their correspondent Banks (USD)	Before 4 p.m. on S day
Issue of Instructions for debit to members' account (INR) by CCIL	4.00 pm on S day
Issue of Instructions for payment to members' account (INR) by CCIL	4.00 pm on S day
Cut-off time for receipt of USD pay-ins from members	Before 10.30 pm on S day (12.00 noon EST)
Issue of Instructions for payment to members' account (USD) by CCIL	Before 11 pm on S day (12.30 p.m. EST)
Final confirmation to Member banks (USD)	11 am on S +1 day
Final confirmation to Member banks (INR)	11 pm on S day

Window of Operations for unwind in case of default

Nature of activity	Cut off Time
In case of INR default, withhold of USD payment to defaulting bank	Before 11 pm on S day
In case of INR default, INR pay-in by defaulting bank	Before 12 noon on S+1 day
If INR not received, sale of Dollars to get equivalent INR; else instructions to SA for credit of withheld dollars to defaulting bank	Before 1 p.m. on S+1 day
CCIL repays LOC (INR)	Before 4 p.m on S+1 day
In case of dollar default, debit to INR account of defaulting bank	10 am on S+1 day
In case of dollar default, dollar pay-in by defaulting bank	Before 12 noon on S+1 day

If dollar pay-in is not received, use INR recovered from defaulting member and issue Instructions to Settlement Bank for purchase of Dollars	Before 1 p.m, on S+1 day
Payment of interest, charges, penalties, etc	Before 3 pm on S+1 day

Note : 'T' denotes Trade Date
'S' denotes Settlement Date

IFN 300 : Foreign Exchange Confirmation

(ANNEXURE II)

This message type is exchanged between the financial institutions, which have agreed to a foreign exchange contract.

It is used to confirm the details of:

- A new contract between the parties;
- An amendment to a previously agreed contract;
- The cancellation of a confirmation;
- The maturity confirmation for a forward contract;
- The exercise settlement confirmation of a foreign currency option .

The field numbers along with the usage status (mandatory or optional) is given in the table below:

IFN 300 : Foreign Exchange Confirmation : Format Specifications

Status	Field No.	Field Name	Content and Options
SEQUENCE A - Conditions of the Contract			
M	20	Transaction Reference Number	16x
M	21	Related Reference	16x
M	22	Code / Common reference	(*)
M	30	Date Contract Agreed / Amended	8n
M	36	Exchange Rate	12 number
O	72	Sender to Receiver information	6*35x

SEQUENCE B - Amount Bought

M	32R	Value Currency Amount Date Code Bought	8n3a15 number
O	56 A	Intermediary	A or D
M	57 A	Account with Institution	A or D

SEQUENCE C - Amount Sold

M	33P	Value Currency Amount Date Code Sold	8n3a 15 number
O	53 A	Sender's correspondent	A, B or D
O	56 A	Intermediary	A or D
M	57 A	Account with Institution	A or D

For details of the various Field Numbers, Options (A, B or D), usage Rules and examples of usage please refer to SWIFT MT 300.

The trade confirmation shall carry

- a. the Member's CCIL Membership ID in first line of Field 72.
and the counterparty's Membership ID
- b. the code 'NEWT' in field 21 of IFN 300 for fresh Trades.
- c. the code 'AMND' in field 21 of IFN 300 for amendments to a transaction. Field 20 in such cases shall carry the same transaction reference number as the original.
- d. the code 'CANC' in field 21 of IFN 300 for cancellation of a transaction. Field 20 in such cases shall carry the same transaction reference number as the original.

----- X -----

**THE CLEARING CORPORATION OF INDIA LTD
BUSINESS SEGMENT: FOREX**

Net position Report for Settlement Date _____
Batch:

Member ID		Member Name :						
Sr. no	Trans Ref	Counterparty Name	Related Ref	Trade Date	Buy Amount	Exchange rate	Self Amount	Value date
1. BUY TRADES								
TOTAL			Receive	USD		Pay	INR	
2. SALE TRADES								
TOTAL			Receive	INR		Pay	USD	
FINAL TOTAL			PAY/REC		PAY/REC			

** If pay-ins is in USD please ensure that settlement instructions are given to your correspondent bank for transfer through FEDWIRE to CCIL's account quoting Trxn.ID before 7.30 p.m. IST on settlement date .

----- X -----

Annexure (IV)

**THE CLEARING CORPORATION OF INDIA LTD
BUSINESS SEGMENT: FOREX**

Status of deals as on: (Current date)

BATCH:

Member ID:	Member Name:								
Sr.no	Trans.Ref	Counterparty Name	Related Ref.	Trade Date	Buy Amount	Exchange rate	Sell amount	Value date	
1. REJECTED DEALS									
2. PENDING EXPOSURE DEALS									
3. ACCEPTED DEALS									
4. PENDING MATCH DEALS									
5. MATCHED DEALS									

----- X -----

(Note: Notice of Substitution to be given by a member at the time of seeking to effect a substitution in its SGF contribution. Such request for substitution by a member shall be subject to the provision of relevant Regulations relating to deposits and withdrawals from SGF.)

(ANNEXURE V)

SETTLEMENT GUARANTEE FUND

Notice of Substitution

SUBSTITUTION TO SGF

Date : (Date of Report Generation)

Ref. :

CCIL Member ID : XXXXXXXX

Member Name : xxxxxxxxxxxxxxxx

I. Substitution - Security for Security

Sr. no	CUSIP	Description of Security	Security Deposit		Security Withdrawal	
			Value Date of Deposit	Face Value (USD)	Date of Withdrawal	Face Value (USD)

II Substitution - Cash for Security

Sr. no	CUSIP	Description of Security	Cash Deposit			Security Withdrawal		SGF Cash Composition (%)	
			Value Date of Deposit	Currency Code	Amount (INR / USD)	Date of Withdrawal	Face Value (USD)	Pre Substitution (%)	Post Substitution (%)

III Substitution - Security for Cash

Sr. no	CUSIP	Description of Security	Security Deposit		Cash Withdrawal			SGF Cash Composition (%)	
			Value Date	Face Value (USD)	Value Date	Currency Code	Amount INR / (USD)	Pre Substitution (%)	Post Substitution (%)

THE CLEARING CORPORATION OF INDIA LTD

FOREX SETTLEMENT

Advice of Payment Instruction

Date : (Date of Report Generation)

Ref. :

CCIL Member ID : XXXXXXXX

Member Name : xxxxxxxxxxxxxxxx

The Bank confirms having sent payment instructions for payment over FedWire for a sum of
----- (Net debit Position in USD) and received the acknowledgement thereof to -----
---- (Name of Correspondent bank) for credit to the Account of the Clearing Corporation with
ABN Amro, New York, for value ----- (Value Date).

----- X -----

THE CLEARING CORPORATION OF INDIA LTD

FOREX SETTLEMENT

Temporary Enhancement of Net Debit Cap

Date : (Date of Report Generation)
Ref. :

CCIL Member ID : XXXXXXXX

Member Name : xxxxxxxxxxxxxxxx

Value Date for which enhancement sought : (date)

Existing Net Debit Cap: \$xxxxxxx Enhanced Net Debit Cap: \$xxxxxxx

The bank confirms having made arrangements to credit the current account of Clearing Corporation with ABN Amro, New York an amount in USD equal to 100% of the additional limit sought at the commencement of value date.

(ANNEXURE VIII)

Schedule of Reports

<u>Reports</u>	<u>Timings</u>
Deal Status Report	10 a.m, 11.30 a.m, 01.00 pm, 5 .30 p.m and 7.30 p.m.
Net Position Report	1.30 p.m.