

CLEARCORP DEALING SYSTEMS (INDIA) LIMITED

CBLO (DEALING) REGULATIONS

CHAPTER	DESCRIPTION	PAGE NO.
I	Introduction	1
II	Applicability	2
III	Membership	3-5
IV	Limits and Margins	6 - 7
V	Dealing System	8-10
VI	Dealing System Operations	11-16
VII	Sudden Event Handling	17
VIII	Surveillance	18
IX	Reports	19
X	Miscellaneous	20
XI	Fees and Charges	21-22

Updated in February 2017

CHAPTER I : INTRODUCTION

These regulations shall be known as Clearcorp CBLO (Dealing) Segment Regulations, 2007, as amended in February 2017.

CHAPTER II: APPLICABILITY

These Regulations shall be applicable to all Members including Associate Members admitted to the CBLO Segment of Clearcorp.

DEFINITIONS:

- (a). Associate Member: Associate Member is a member who does not have SGL account with RBI and maintains a settlement account with a designated Settlement Bank for the purpose of funds settlement;
- (b). CBLO:CBLO means and includes Collateralized Borrowing and Lending obligation;
- (c). Clearing Corporation means "The Clearing Corporation of India Limited";
- (d). "Negotiated Dealing System:- Negotiated Dealing System" (hereinafter referred to as "NDS") means the systems of Reserve Bank of India to facilitate electronic dealings/reporting of all government securities and other instruments as approved.
- (e). Approving Authority: Approving Authority shall mean and include a committee of directors and / or a Managing Director or any authority appointed by the Board from time to time, to screen and approve all requests for Membership.

CHAPTER III: MEMBERSHIP

1. Application for Membership

- i. Members of CBLO (Dealing) Segment of Clearcorp shall comprise of Negotiated Dealing System(RBI - NDS)members and such other entities which are not members of NDS, but meeting the membership criteria of Clearcorp.
- ii. Members of RBI - NDS seeking membership of CBLO (Dealing) Segment may approach Clearcorp to be admitted as a Member of CBLO (Dealing) Segment;
- iii. Non-NDS Members seeking to become a member of CBLO (Dealing) Segment may approach Clearcorp to be admitted as an Associate Member of the CBLO (Dealing) Segment of Clearcorp;
- iv. Such entity as per sub-clause 1 (ii and iii) above shall submit an application in the prescribed format to Clearcorp, which shall be complete in all respects together with all enclosures, as required to be submitted in terms of the application form;
- v. The application form shall be submitted along with the fees prescribed therefor by Clearcorp for Membership to CBLO (Dealing) Segment;
- vi. Every member seeking membership of CBLO (Dealing) Segment of Clearcorp shall be required to simultaneously seek membership of CBLO (Clearing and Settlement) Segment of Clearing Corporation.

2. Processing of Applications

- i. Every such application received in terms of sub-clause 1.(iv and vi) above shall be forwarded by Clearcorp Membership Approval Committee (MAC) to Approving Authority for consideration;
- ii. Clarifications and/or additional information sought by MAC shall be conveyed to the concerned applicant. Such applications shall be processed further only upon receipt of complete particulars called for by MAC;
- iii. Mere submission of completed application forms and/or additional information sought by MAC does not by itself confer any right on any applicant to claim grant of such membership to the CBLO (Dealing) segment;
- iv. Upon receipt of approval from Approving Authority, Clearcorp shall communicate such approval to the applicant with a request to complete other formalities as required for admission;
- v. *Every applicant upon receipt of approval for membership shall execute required documentation, in such form and manner as may be prescribed by Clearcorp and submit the same to Clearcorp. Such execution shall be carried out by duly authorized signatory(ies) and shall bear the official seal of the Member/ Associate Member company.;*
- vi. A Member can commence operations in CBLO (Dealing) Segment of Clearcorp only upon activation of its membership, which shall be subject to completion of such formalities as may be stipulated by Clearcorp in its Bye-Laws, Rules and Regulations.

3. **Membership ID**

- i. Every applicant, who is already a Member of any of the existing segments of Clearing Corporation, upon admission as a Member of CBLO (Dealing) Segment shall use the existing Membership ID that has already been allotted to him unless specifically advised otherwise by Clearcorp;
- ii. Every applicant, upon admission as a Member/Associate Member of CBLO (Dealing) Segment shall be allotted a unique Member Number and User Name. The Member Number and the User Name allotted to the said Member/Associate Member are unique with their usage restricted to the CBLO Segment of Clearcorp;
- iii. Every Member/Associate Member shall incorporate the Membership ID in all its communications to Clearcorp;
- iv. Non-incorporation of Membership ID by the Member/ Associate Member in any communication shall absolve Clearcorp of all liabilities or consequences of inaction by Clearcorp;
- v. A Member/Associate Member shall ensure that use of its Membership ID, Member Number and User Name is restricted to its authorized personnel only;
- vi. Clearcorp and/or any of its officials shall not in any way be liable for any loss or consequences that may arise on account of unauthorized and/or wrongful use of Membership ID and/or Member Number and/or User Name.

CHAPTER IV: LIMITS AND MARGINS

1. **Borrowing Limits:**

Clearcorp shall record the Borrowing Limit on its dealing system as per the information received from Clearing Corporation. Clearcorp shall also administer the utilization of the limit by the Member/Associate Member.

2. **Margins:**

- i. A Member/Associate Member shall not put any borrow or lend order on the CBLO dealing/trading system/platform before it has deposited with Clearing Corporation the requisite initial margin.
- ii. Based on the advice received from Clearing Corporation, the Dealing system provided by Clearcorp shall carry out the exposure check either on a post trade basis or on a pre-order basis for orders placed by the Member. The exposure check on a pre-order basis shall ensure that the order may be placed only if the Member has sufficient Initial Margin and/or borrowing Limit to support the order..
- iii. Clearcorp shall upon any failure of the Member/Associate Member to fulfill its initial margin obligations, cancel outstanding order(s) received of the Member/Associate Member from the dealing system.
- iv. Clearcorp shall also have the right to deactivate a Members/Associate Members upon its failure to fulfill any mark to market margin or volatility margin obligation.

- v. The deactivation of Member/Associate Member to deal on the dealing system platform may be revoked by Clearcorp at its sole discretion on receipt of intimation from Clearing Corporation of fulfillment of margin obligations.

CHAPTER V: DEALING SYSTEM

1. An automated dealing system for borrowing and lending of funds to the Members/Associates Member of CBLO (Dealing) Segment has been provided by Clearcorp Dealing Systems (India) Ltd.
2. A Member who has NDS membership with RBI may access dealing system through RBI's INFINET;
3. Associate Member shall access the dealing system through INTERNET;
4. Each Member/Associate Member shall at all times maintain necessary Information Technology infrastructure, staff, communication facilities and records in order to have orderly participation in CBLO related activities on the dealing system and as per the requirements enumerated in the Bye-laws, Rules and Regulations of Clearcorp;
5. A Member/Associate Member shall restrict its access to the dealing system from its office/s;
6. Each Member/Associate Member shall have a unique Member Number and User Name provided by Clearcorp and the same shall be used to log on to the dealing system;
7. A Member/Associate Member shall be given access to the dealing system through the password provided by Clearcorp and the Member/Associate Member shall ensure to change the password from time to time;
8. An Associate Member, besides password, shall use the digital signature to access the dealing system through internet;
9. A Member/Associate Member and/or its Users shall maintain complete secrecy of its password and the digital signature password;

10. Clearcorp and/or any of its officials shall not in any way be liable for any loss or consequences that may arise on account of unauthorized and/or wrongful use of the password and/or digital signature;
11. A Member/Associate Member shall not have any right, title or interest with respect to the dealing system, its facilities, software and the information provided by Clearcorp;
12. The permission to use the dealing system shall be subject to the payment of such charges to Clearcorp as may be specified from time to time;
13. A Member/Associate Member shall not:-
 - i. use the software provided by Clearcorp for any purpose other than those approved and specified by Clearcorp;
 - ii. use the software provided by Clearcorp on any equipment other than the office as per sub-clause 5;
 - iii. copy, alter, modify or make available to any other entity or person, the software provided by Clearcorp;
 - iv. use the software in any manner other than as specified by Clearcorp;
 - v. make unauthorised use of the intellectual property rights of the software provided by Clearcorp. The intellectual property rights of such software shall be with Clearcorp and any unauthorised use of the same shall be treated as infringement and dealt with accordingly;
14. A Member/Associate Member shall not publish, supply, show or make available to any other person/entity the facilities of the dealing system or the information provided by the dealing system except with the explicit approval of Clearcorp;

15. Clearcorp shall provide its services on a best effort basis. However, Clearcorp shall not be liable under any circumstances for any failure of the system or otherwise or a consequence arising there from;
16. Without prejudice to anything contained in sub-clause 15, such failure shall not reduce, alter or affect the liability of a Member/Associate Member in respect of any deals to which the said Member/Associate Member is a party;
17. Each Member/Associate Member may have more than one user and in such cases, the Member/Associate Member shall request Clearcorp for additional User Name furnishing the details of the user to Clearcorp. However, allocation of multiple Users shall be at the sole discretion of Clearcorp.

CHAPTER VI: DEALING SYSTEM OPERATIONS

1. Dealing Parameters

- i. A Member/Associate Member shall be liable for all the deals executed on the dealing system for orders entered into the system by it;
- ii. Clearcorp may, from time to time, specify various dealing parameters which, inter alia, include:
 - a. types of orders and order attributes (including Single Order Limit size);
 - a) fixation of market lots for order matching;
 - b) limit of spread between lend and borrow yields for different CBLOs, if required;
 - c) limit of variation within a day or between days in lend and borrow yields;
 - d) fixation of yield variation on business day over the previous day's closing yields of the CBLOs;
 - e) determining functional details of the dealing system including system design, user infrastructure and system operation;
 - f) such other parameters as may be decided by Clearcorp from time to time.
- iii. Clearcorp may, from time to time, prescribe different forms of order books that shall be maintained on the dealing system and specify such conditions for the order to be eligible to find place in those books. Such conditions may include "ALL OR NONE", "DISCLOSED QUANTITY", "MINIMUM FILL", "DAY ORDER" and "IMMEDIATE" OR "CANCEL";
- iv. Clearcorp may notify, from time to time, to its Member/Associate Member the minimum disclosed quantity for orders that will be allowed;

- v. Clearcorp may specify, from time to time, the lot size in which orders can be placed on the dealing system.

2. CBLO tenor

- i. Clearcorp shall decide on the CBLO tenors to be made available on the dealing system;
- ii. Clearcorp may make available on the Dealing System, such different CBLO tenors at any time during the day as may be decided from time to time; in case any new CBLO tenor is made available during the dealing session, Clearcorp shall notify the same to all the Members/Associate Members through the dealing system;
- iii. A Member/Associate Member shall be entitled to transact only in those CBLOs that are made available on the Dealing System by Clearcorp;
- iv. Clearcorp may at its discretion at any time suspend dealing in a particular CBLO tenor as it deems fit and such suspension shall take effect on such conditions and in such time and manner as Clearcorp may prescribe in this regard. However member's obligation, if any, shall be honoured by it on the respective settlement dates.
- v. Clearcorp may at its discretion at any time revoke the suspension of a particular CBLO tenor as it deems fit on such conditions and in such time and manner as may be prescribed in this regard;

3. Borrowing and Lending under CBLO

Clearcorp shall provide access to Members/Associate Members for borrowing / lending in CBLO Segment as advised by Clearing Corporation;

4. Dealing Days

Clearcorp would normally function on all the days, excluding Sundays and those days that are declared as holidays under the Negotiable Instruments Act, 1881 in the State of

Maharashtra and such other days on which dealing/settlement may not take place as declared by RBI and/or Clearcorp or such other authority.

5. Timings

- i. Clearcorp shall have the absolute discretion to decide on the timings for dealing in CBLOs;
- ii. The cut-off timing for various activities relating to CBLO Segment shall be notified by Clearcorp from time to time;
- iii. However, Clearcorp may extend or reduce timing for various activities by notifying Members/Associate Members on Dealing System, as and when it deems fit and necessary in this regard.

6. Order Lots

Clearcorp may, from time to time, notify the order lots size like minimum and multiple order lot etc.

7. Order Types

- i. The member/ associate member may place borrow and/ or lend order in CBLOs facilitated in CBLO Dealing System.
- ii. Clearcorp shall, on direction from Clearing Corporation, set Single Order Limit for borrow and / or lend order under advise to the member. The borrow and/ or lend order placed by any user within the member shall not exceed such Single Order Limit set in the system.

8. Order Validation

Orders entered on the dealing system by a Member/Associate Member shall be subject to such validations as may be prescribed by Clearcorp from time to time, including order

conditions and other dealing parameters and such orders that do not meet the validation requirements will be rejected.

9. Borrowing / Lending

A Member/Associate Member, desirous of borrowing / lending, shall submit the order form for borrow / lend in the CBLO Dealing system.

10. Order Modification and Cancellation

- i. Clearcorp shall allow the Member/Associate Member to modify or cancel their orders placed and not matched on the dealing system;
- ii. The order shall be modified by effecting changes in the input parameters in the manner and on such conditions as specified by Clearcorp;
- iii. The modified order shall lose or retain its time priority as per the dealing parameter set by Clearcorp and notified from time to time;
- iv. In the event of failure of connectivity (not attributable to any act or omission of the Member) for a Member/Associate Member, Clearcorp may at its discretion undertake on behalf of such Member/Associate Member to cancel all its outstanding orders subject to conditions stated as per above sub-clauses; provided such Member/Associate Member shall send a valid and clear written request to Clearcorp in a manner as prescribed by Clearcorp and the said Member/ Associate Member shall be accountable for the activity carried out by Clearcorp on its behalf and shall indemnify Clearcorp against any losses or costs arising out of the above situation.

- v. Orders placed in the system shall be cancelled by Clearcorp in the event the outstanding orders are not supported by the sufficient Initial Margin / Borrow Limit, pursuant to revised Borrow Limit advised by Clearing Corporation during the day.

11. Matching Rules

- i. Clearcorp shall specify, from time to time, the order matching rules and the parameters in CBLO system;
- ii. Clearcorp may modify or change the manner and mode of matching wherever necessary;
- iii. Clearcorp, with a view to protect the interest of the market, and/or to meet any statutory obligations /order / directive, may withhold fully or partially, the information on the order quantity, yield, etc in a particular CBLO or of all CBLOs in respect of a particular Member/Associate Member;
- iv. Clearcorp shall adopt the Best-Yield and Time Priority principle for order matching and the time recorded at the Dealing System at Clearcorp shall be the basis for determining the time priority.
- v. Clearcorp shall carry out order matching by following “Best Yield – Time Priority” principle. The Best lend Yield for a borrow Order shall be the lend Yield equal to or less than the borrow Yield. The Best borrow Yield for a lend Order shall be the borrow Yield equal to or more than the lend Yield. In case there is more than one Order with the same Yield, then the system shall follow the “Time Priority” principle based on the time stamp given by the dealing system to the orders.;
- vi. An order shall become an Active Order at the time of its entry into the system. If such an order is a Day order and, on entry into the system, does not find matching order, would become Passive Order and remain in the dealing system.

- vii. All orders placed remaining unmatched in the system at the end of the dealing session shall get cancelled automatically at the end of the day.

12. Rejection of Orders/Deals

- i. Clearcorp shall have the absolute discretion to reject the order for the following conditions:
- ii. When the orders are not adequately covered by the borrowing/Lending limits/margins;
- iii. When orders are not as per the terms and conditions as applicable to such orders;
- iv. When order placed exceed the Single Order Limit applicable for such member/s;
- v. In the event of declaration of unscheduled holiday or sudden development whereby dealing, operations for a particular settlement date have been temporarily suspended;
- vi. In the event of Force Majuere.

13. Clearing & Settlement

All trades from CBLO Dealing System shall flow to “Clearing Corporation” for settlement as per the provisions of its Bye-Laws, Rules and CBLO Segment Regulations.

CHAPTER VII: SUDDEN EVENT HANDLING

1. Due to the occurrence of any unforeseen event or circumstances beyond the control of Clearcorp, it may suspend the dealing in CBLOs by declaration of an unscheduled holiday;
2. In such an eventuality, all the deals concluded by the Members/Associate Members on such days shall be cancelled by Clearcorp and the decision of Clearcorp in this regard shall be final and binding on all the Members/Associate Members;
3. Clearcorp shall in no way be held liable in the event of:
 - i. Failure of the communication systems or failure of payments caused directly or indirectly by equipment or system failure;
 - ii. Any other cause beyond the control of Clearcorp.
4. Clearcorp shall not be held liable in the event of force majeure, strikes or any other unavoidable event that prevents Clearcorp from carrying out its duties pursuant to judicial orders, regulatory provisions, war (declared or undeclared), riots or civil commotion, terrorist acts, general mobilization, earthquakes or any other natural disaster and strikes.

CHAPTER VIII: SURVEILLANCE

1. Clearcorp shall monitor the functionality of the dealing system during dealing hours and compliance with all provisions of the terms and conditions. Clearcorp shall take all measures necessary for the smooth operation of functions and orderly dealing;
2. In order to ensure orderly system functionality, the commencement of dealing may, at the instance of Clearcorp be postponed or dealing hours may be extended;
3. In the event of technical problems, Clearcorp shall temporarily suspend the access to system for a Member/Associate Member or all the Members/Associate Members;
4. In the event of respective measures which considerably affect the operation of the System, the Members/Associate Members affected thereby shall, to the extent possible, be promptly notified thereof via the System or, in the case of a system failure, by other suitable electronic means;

CHAPTER IX: REPORTS

1. Clearcorp shall, at its absolute discretion, decide the mode and manner of delivery/receipt of reports to/from its Members;
2. Clearcorp shall, at daily/monthly intervals, generate such reports as are required and place the same on its Report Server to facilitate the Members/Associate Members to download the same;
3. Clearcorp shall have the absolute discretion to make changes in the Report formats as it may consider necessary from time to time;

CHAPTER X: MISCELLANEOUS

1. **Suspension rights of Clearcorp**

- i. Clearcorp may suspend its members as specified in the Regulations.
- ii. Managing Director of Clearcorp or a Committee of not less than two officials nominated by the Managing Director (MD) may disable a Member from accessing the facilities of Clearcorp 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, Clearcorp shall communicate the information to the member.

2. **Regulatory Limits:**

It shall be sole responsibility of the Members to adhere to the borrowing and / or lending limits, if any, stipulated by their respective regulator/s. Clearcorp shall not be responsible in any manner for the breach of such Regulatory Limits by the Member in CBLO segment.

CHAPTER XI: FEES AND CHARGES

1. Schedule of Fees and Charges

- i. The Board or any other Committee appointed by the Board or Official(s) of Clearcorp authorised by the Board in that behalf may prescribe the scale of fees, charges and/or additional charges payable by Members/Associate Members from time to time;
- ii. The Board or any other Committee appointed by the Board or Official(s) of Clearcorp authorised by the Board in that behalf shall be empowered to review the various fees, charges and/or additional charges and effect such changes in the same as it considers necessary;
- iii. The revised fees and charges, as and when made effective, shall be payable by the Member/Associate Member;
- iv. Notwithstanding anything contained above, the charges payable by the Member/Associate Member shall be notified by Clearcorp from time to time.

2. Bills for Fees and Charges

- i. Clearcorp shall forward to its Member/Associate Member the monthly bills relating to usual fees and charges;
- ii. Clearcorp shall notify to its Member/Associate Member at monthly intervals on the first business day of every month, the fees and charges in respect of the transactions in CBLO Segment for the immediate preceding month;
- iii. The Member/Associate Member shall verify their monthly billings and notify Clearcorp of discrepancies, if any, with all necessary details, not later than two days from the date of notification of the relative bill.

3. Recovery of Fees and Charges

- i. The Member/Associate Member shall effect payment of fees and charges payable by them to Clearcorp by the 10th day of the subsequent month in the manner notified by Clearcorp from time to time (or by the subsequent business day in the event of 10th being a non-business day).
- ii. Non-payment of fees by due date shall attract additional charges by the said Member/Associate Member at the rate notified from time to time in addition to any other disciplinary action as decided by Clearcorp.
- iii. The additional charges shall be payable by the Member/Associate Members in such manner as notified by Clearcorp from time to time.

* * * * *