

1-Oct-2020



THE CLEARING CORPORATION OF INDIA LTD.

Derivatives Department

Ref: CCIL/DRV/1020/128

To

All Members

Rupee Derivatives (Guaranteed Settlement) Segment.

Dear Sir/Madam,

We are pleased to advise that Reserve Bank of India (RBI) has accorded its approval for commencement of Clearing Member (CM) Structure in the Rupee Derivatives Guaranteed Segment for trades referenced to the MIBOR and MIOIS benchmark. The Clearing Member Structure shall come into force with effect from **2nd November 2020**.

Members shall be bound by the CCIL Bye-laws, Rules and Regulations in this regard.

A brief write-up on the features of the Clearing Member Structure in the Rupee Derivatives Segment is as given below:

At present, CCIL offers guaranteed settlement services in respect of trades referenced to the MIBOR, MIOIS and MIFOR benchmark to banks and primary dealers. These entities are direct members in the Rupee Derivative guaranteed settlement segment.

The Clearing Member Structure will be implemented in the Rupee Derivatives (Guaranteed) Settlement Segment, both for trades concluded bilaterally and dealt on the ASTROID Dealing platform. Constituents shall avail the services of CCP clearing and settlement through Clearing Member(s) only.

Clearing Member Structure

Undernoted membership structure shall be provided:

- i. Self-Clearing Members (SCM)
- ii. Clearing Members (CM)

SCM or CM may or may not avail services of trading system.

Self-Clearing Members (SCM)

SCMs shall be responsible for:

- a) Margin contributions for its own trades.
- b) Default fund contributions.
- c) Settlement of its own trades.

A SCM shall have direct access to ASTROID.

Clearing Members (CM)

CM shall be responsible for:

- a) Margin contributions for its own trades and trades of its constituents.
- b) Default fund contributions
- c) Settlement of its own trades and the trades of its constituents.

A CM shall have direct access to ASTROID.

Constituent

Constituent is an entity that is not a direct Member of CCIL. Each constituent shall be required to avail the services of CM (s). A constituent may avail the services of multiple CMs.

It shall be the responsibility of the Clearing Member to ensure that only those entities who are permitted to undertake Rupee Interest Rate Swaps and Forward Rate

Agreements as a Market Maker /User are enrolled as a Constituent in the proposed structure.

Margining would be done separately for proprietary trades and Constituent trades. No off sets will be available in margining between proprietary trades and Constituent trades or between trades of two Constituents.

Types of Trade and Processing

Trades concluded by the Constituent bilaterally, either with CM or with any other market maker can be cleared but, the reporting shall be done by the CM. As a constituent can come through multiple CMs, each reported trade will have the information about the Clearing member which would settle this trade.

For trades dealt on ASTROID, no separate reporting shall be required. Such trades shall continue to flow to the settlement system with CCIL as the counterparty to the trade. The trades will have the information about the clearing member who will settle the trade.

Access to Trading platform to the constituents through CM

The Prescribed Amount (PA) and the Accumulated Order Limit (AOL) shall be maintained at an individual constituent level. The Single Order Limit (SOL) for CM will be the maximum applicable SOL for all its Constituents.

Clearing Member Admin Module for non-Institutional Constituents

An additional Admin role for CMs shall be provided to enable them to set up all core trading parameters and various limits for their constituents. In addition to the above, Underlying Limit Management functionality of Constituents shall also be made available to the CM to allow them to set up underlying limits for individual constituents for Hedging (Notional- both Pay/ Receive fix and tenor). Before placing the orders by the constituents, these underlying limits shall be validated.

Dealer / Head of Treasury (HOT) Terminal of Constituent

The existing functionality available in current production for a Dealer and HOD of a member would be made available to the Constituent of Clearing member.

Settlement

The settlement shall be carried out by the Clearing Member. The position of the constituents shall be netted with the position of the clearing members and one consolidated position shall be provided to the clearing member. Settlement related reports shall be provided directly to the Clearing Member. The settlement process will continue in the usual manner between CCIL and its direct members.

Collateral contribution

CM would be required to contribute cash and securities, towards SGF contributions, separately for their Proprietary trades and Constituent trades. For constituent trades, collateral contribution to CCIL will be made either for a Group of constituents or for Individual constituents. CM may have more than one group of constituents.

-In case contributions are received for the Group (of constituents), then the CM has to report the amount allocated to each constituent within the Group (of constituents).

The Unutilized portion of the Securities Segment SGF deposited for a particular Constituent by its CM can be utilized for the trades of that Constituent across multiple segments (participating through the same CM).

Other aspects of collateral management shall be notified separately.

Margining for Trades of constituents

Margin and Default Fund requirements for Clearing Member are notified separately.

Yours faithfully,

For the Clearing Corporation of India Ltd

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Authorised Signatory