



THE CLEARING CORPORATION OF INDIA LIMITED

Operations – Fixed Income and Money Market

10th May, 2021

Consultation Paper – Securities Segment (Outright and Market Repo)

Change in the basis of payment of interest on cash collateral maintained by members towards

Securities Segment - Settlement Guarantee Fund

1. Introduction :

In terms of the Securities Segment Regulations interest is being paid to members on their cash collateral contributions towards Securities Segment (Outright and Market Repo) – Settlement Guarantee Fund (SGF) provided the entire SGF contribution (100%) is in the form of Cash. The Interest is paid to members on a quarterly basis on 90 % of such cash contribution. No interest is paid on cash collateral contributed by members, if they have contributed security along with cash. CCIL has reviewed the interest payment process in Securities Segment to make it consistent for all members with the criteria applied in other segments such as Derivatives and Forex Forwards.

The criteria applied in Forex Forwards and Derivatives Segment for determining interest eligible cash contribution for respective segment is the actual cash utilized towards margin requirement for respective segment less the minimum threshold (currently Rs. one cr). This logic is applied separately for proprietary trades and each constituent trades in both the segments.

The rate at which interest is paid on eligible cash collateral for all segments is a rate not exceeding 100 basis points lower than the weighted average of 91 days Treasury Bill cut off yields at the last three auctions held before the interest payment date.

2. Proposed approach for determining interest eligible cash for Securities Segment Members:

It is proposed to consider interest eligible cash for Securities Segment Members aligning with the approach adopted in other Segments. Accordingly this approach will also ensure that members who contribute cash and securities towards margin requirement the interest shall be paid on cash margin utilized over and above the minimum threshold prescribed towards outright and repo trades. This will bring the interest payment process of all segments at par for determining interest eligible cash contributed by members.

The approach proposed for all members wherein cash contributed by them and utilized towards margin requirement, is as under:

- The interest shall be payable on end of day utilization of cash collateral, towards margin requirement for Securities Segment (Outright and Market Repo);



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- The minimum percentage required as per respective Regulation and notification issued thereunder, shall be first blocked from cash contributed by the member towards SGF. Then if there are MTM gains within a segment, and is available for blocking as per respective regulations, that would be blocked for towards utilisation in that segment, and excess MTM gains would be available in SGF as a pool which would then be blocked for other Segments. Thereafter securities value available would be blocked. If still there is a margin requirement for any segment which is not blocked as in above, then the remaining margin requirement would be blocked from available cash. The sequence of blocking in all above cases shall start with Securities Segment followed by Forex Forwards and then Derivatives Segment. The total cash blocked as per above process, less minimum threshold stipulated for the segment (presently Rs. One Crore) shall be the interest eligible cash balance.
 - The minimum threshold stipulated for respective segment shall be reckoned separately utilized for proprietary trade and each constituent trade.
 - Cash blocked from proprietary contributions, towards excess utilization for constituent trades, shall not be considered as cash utilized for the purpose.
 - The above criteria proposed is already in vogue for Derivatives and Forex Forward segment.
 - There is no change in the rate at which interest on eligible cash collateral is paid currently.
 - Reports will be provided giving details of quarterly interest paid to members.
3. Members are requested to send their comments and feedback, if any, on the proposed change as mentioned in Section – 2. The feedback may be sent to us latest by 25th May, 2021 at cfm@ccilindia.co.in, for the attention of Senior Vice President, Operations FI & MM, CCIL with Subject: “Change in the basis of payment of interest on cash collateral maintained by members towards Securities Segment – Settlement Guarantee Fund” with a copy to apradhan@ccilindia.co.in, ujoshi@ccilindia.co.in. Subject to the requisite approvals, CCIL proposes to introduce the above change with effect from 01st July, 2021 i.e. for payment of interest on 01st October, 2021.
4. If any clarification is required on any aspect of this paper, please feel free to contact Mr. N. Venkatraman, Vice President – Operations FI & MM on 61546490 or Mr. Amol Pradhan, Asst. Vice President, Operations – FI & MM on 61546482.
