# CBLO REGULATIONS

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Amended in November 2014
CHAPTER I: INTRODUCTION

CLEARING CORPORATION OF INDIA LTD (CBLO SEGMENT) REGULATIONS, 2014

These regulations shall be known as The Clearing Corporation of India Limited (CBLO Segment) Regulations, 2009 as amended in November 2014.
CHAPTER II : APPLICABILITY & DEFINITIONS

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

DEFINITIONS

a) **Approving Authority:** Approving Authority shall mean and include a committee of directors and / or a Managing Director or any authority appointed by the Board to approve all requests for Membership.

b) **Associate Member:** Associate Member is a member who is not having SGL account with RBI and maintaining a settlement account with a designated Settlement Bank for the purpose of funds settlement.

c) **CBLO:** CBLO means and includes Collateralized Borrowing and Lending obligation.

d) **Clearcorp:** Clearcorp means ‘Clearcorp Dealing Systems (India) Ltd’ which is a fully owned company of the Clearing Corporation,

e) **"Negotiated Dealing System (hereinafter referred to as “NDS”):** NDS means the systems of Reserve Bank of India to facilitate electronic dealings/reportings of all government securities and other instruments as approved.
CHAPTER III : MEMBERSHIP

1. Application for Membership

i) Members of CBLO Segment of Clearing Corporation shall comprise of members of the Negotiated Dealing System (RBI-NDS) and such other entities which are not members of NDS, meeting the membership criteria of Clearing Corporation.

ii) Members of RBI-NDS seeking membership of CBLO Segment may approach Clearing Corporation to be admitted as a Member of CBLO Segment;

iii) Non-NDS Entity seeking to become a member of CBLO Segment may approach Clearing Corporation to be admitted as an Associate Member of the CBLO Segment of Clearing Corporation;

iv) Such entity as per sub-clause 1(ii) above of this Chapter, shall submit an application in the prescribed format to Clearing Corporation, 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 there for by Clearing Corporation;

vi) A non-NDS Entity shall seek membership of CBLO Segment by submission of the application form, as stated in clauses 1(iii to v) above of this Chapter, only through Settlement Bank in which case the Settlement Bank shall be required by Clearing Corporation to ensure the completeness of the details furnished by such Eligible Entity as duly set out in the application form.

2. Processing of Applications

i) Every such application received in terms of sub-clause 1(iv to vi) above of this Chapter, shall be forwarded by Clearing Corporation to the Approving Authority for consideration;
ii) Clarifications and/or additional information sought by the Approving Authority shall be conveyed to the concerned applicant. Such applications shall be processed further only upon receipt of complete particulars called for by the Approving Authority;

iii) Mere submission of completed application forms and/or additional information sought by the Approving Authority does not by itself confer any right on any applicant to claim grant of such membership to the CBLO segment;

iv) Upon receipt of approval from the Approving Authority, Clearing Corporation shall communicate such approval to the applicant with an advice to complete other formalities as required for admission;

v) Every applicant upon receipt of approval for membership shall execute required documentation along with Power of Attorney in favour of clearing Corporation, in such form and manner as may be prescribed by Clearing Corporation and submit the same to Clearing Corporation. Such execution shall be carried out by duly authorised signatory(ies) and shall bear the official seal of the Member / Associate Member company;

vi) A Member can commence operations in CBLO Segment of Clearing Corporation only upon activation of its membership, which shall be subject to completion of such formalities as may be stipulated by Clearing Corporation in its Bye-laws, Regulations and Rules;

vii) All advices/communications/notices from Clearing Corporation as stated in clauses 2(i to vi) above of this Chapter, to an applicant seeking to become an Associate Member of CBLO Segment shall be routed through the Settlement Bank and such Settlement Bank shall arrange for transmission of such advices/communications/notices to the applicant and to collect such additional information and documentation as required by Clearing Corporation until due activation of membership of such applicant.
3. Membership ID

i) Every applicant, upon admission as a Member/Associate Member of CBLO Segment shall be allotted a unique Membership ID for the identification purpose of the Member.

ii) Every Member/Associate Member shall incorporate the Membership ID in all its communications to Clearing Corporation;

iii) Non-incorporation of Membership ID as may be required by Clearing Corporation as part of its operations shall absolve Clearing Corporation of all liabilities or consequences of non-action, if any, by Clearing Corporation;

4. General

i) An Associate Member shall designate only one Settlement Bank at any point of time for the purpose of Collateral/Margin transfer and/or for the purpose of funds settlement;

ii) An Associate Member and Member settling through designated settlement bank shall open a Current account with the designated Settlement Bank to facilitate settlement of funds in respect of transactions in the CBLO Segment, remitting corporate actions on its collateral contributions, recovery of charges and for any other purpose as may be specified by Clearing Corporation from time to time.
CHAPTER IV : COLLATERAL CONTRIBUTIONS

1. Requisite

i) A Member/Associate Member of CBLO Segment shall open GILT Account with Clearing Corporation to deposit its security contributions which shall be used to secure its borrowing and/or margin requirement as the case may be in the CBLO Segment.

2. Collaterals / Margin Contribution

ii) A Member/Associate Member may contribute collaterals / margins for the CBLO Segment either in the form of cash and/or eligible Government securities, subject to specific minimum requirements of cash contribution for the margin purpose as may be stipulated by Clearing Corporation from time to time;

iii) Clearing Corporation shall specify the list of eligible securities which shall qualify for collateral / margin contribution to the CBLO Segment and the residual maturity period of such eligible securities shall be specified by Clearing Corporation from time to time. The list of securities eligible for such contribution together with the hair-cuts applicable to them shall be notified by Clearing Corporation from time to time. Securities declared as ineligible for this purpose shall not be reckoned for collateral / margin contribution by the said Member/Associate Member from the effective date of such ineligibility;

iv) Clearing Corporation may, at its discretion, specify the maximum amount of a single security or group of securities that a Member/Associate Member may deposit by way of collateral / margin contribution;

v) It shall be the responsibility of the Member/Associate Member to ensure that its exposures on the outstanding deals are fully secured by the value of the collaterals maintained by it with Clearing Corporation, as provided under the relevant Regulations.
vi) Clearing Corporation may at its discretion, also consider the acceptance of Bank Guarantee from such Banks, as notified by Clearing Corporation, from its Members/Associate Members, towards their margin contribution. The terms and conditions relating to the acceptance of Bank Guarantee by Clearing Corporation shall be notified separately by Clearing Corporation.

3. Interest

i) A Member/Associate Member shall be entitled to the interest received on securities in its GILT Account maintained with Clearing Corporation as per coupon rate payable on the respective securities;

ii) A Member/Associate Member shall be entitled to receive interest at quarterly rests (at the end of every calendar quarter) on its cash margins utilized during the relative period maintained by it in excess of the minimum prescribed cash margin as notified by Clearing Corporation from time to time.

4. Administration

i) Clearing Corporation shall have absolute discretion/control over the administration, utilization of cash / securities contributed by a Member/Associate Member towards collaterals /margins. Clearing Corporation shall be authorised to invest the cash contributions received from members, in Government Securities, Bank deposits, or such other instruments as may be decided by Clearing Corporation from time to time in accordance with its Investment Policy;

ii) The securities deposited by a Member/Associate Member shall be held in the Constituent SGL Account of Clearing Corporation with RBI. The RBI Rules and Regulations governing CSGL Accounts with such exceptions granted, if any, and such other instructions as are issued by RBI in this regard shall be applicable to the Constituent SGL Account;
iii) Clearing Corporation shall have the right to utilize, at its sole discretion, any/all of the securities contributed by a Member/Associate Member and held in the Constituent SGL Account of Clearing Corporation with RBI to meet shortages and/or deficiencies of funds arising out of defaults by the Member/Associate Member, in terms of its Bye-laws, Rules and Regulations;

iv) Clearing Corporation shall be deemed to be irrevocably authorized to sell, assign, transfer, pledge, hypothecate, create any charge and/or encumber or dispose of securities deposited in GILT Account by a Member/Associate Member, for recovery of losses, charges, additional charges or any other amount due to Clearing Corporation, from the said Member/Associate Member in terms of its Bye-laws, Rules and Regulations;

v) Clearing Corporation shall have a paramount lien on collateral/margin contribution made by any of its Members/Associate Members towards any amount due from such Members/Associate Members towards recovery of losses, charges, penalties or any other amount due to Clearing Corporation.

vi) Clearing Corporation shall also be authorized by its Members to seek pledge, hypothecate, create any charge and/or encumbrance over securities deposited by the defaulting borrowing Members and encumbered towards CBLO(s) and/or beneficial interest available to the defaulting lenders, for availing of a line of credit/repo facilities from RBI, Banks, Institutions and/or other market participants including non-Members, for the purpose of Clearing and Settlement of the transactions received & accepted for settlement. e.g. If borrower defaults in repayment of borrowed funds then such borrower's securities encumbered shall be utilised for above purpose. In case of Lender's default in meeting funds obligations the Borrower's securities encumbered towards such lending shall be utilised for above purpose;

5. Withdrawals

i) A Member/Associate Member shall be entitled to withdraw its collateral / margin contributions in excess of its obligations to cover its outstanding borrowings / margin requirements and/or any other amount payable to Clearing Corporation, by giving prior
notice in the format prescribed for this purpose and duly notified by Clearing Corporation from time to time;

ii) A Member/Associate Member shall ensure at the time of lodging such requests for withdrawal of excess collateral / margin contributions in the form of cash that such reduced balance does not fall below the minimum cash margin prescribed after such withdrawal is effected.

6. Receipts and Deliveries of Collaterals / Margins

Cash

i) A Member/Associate Member shall effect cash margin contributions in relation to its respective margin obligations;

ii) A Member/Associate Member shall arrange to deposit its cash margin contributions as per the Work Flow Process notified by Clearing Corporation;

iii) Clearing Corporation shall not in any manner be liable for any consequences that may arise on account of non-receipt of deposits from the Member/Associate Member towards its cash margin contributions;

iv) A Member/Associate Member shall be entitled to receive credits for its cash margin deposits upon receipt of confirmation from RBI/Settlement Bank of credits into the Current Account of Clearing Corporation. The impact of such credits in the Member’s/Associate Member’s Margin Account shall be reckoned when such credit intimation is received from RBI/Settlement Bank, as may be applicable;

v) Withdrawal of cash margin contributions by a Member/Associate Member shall be with prior notice as notified by Clearing Corporation from time to time in the format prescribed for the purpose. Such withdrawal shall result in a corresponding reduction in the said Member’s/Associate Member’s Cash Margin balance as and when instructions to transfer such amounts to the said Member / Associate Member are issued to RBI/Settlement Bank by Clearing Corporation. Such
withdrawal shall be allowed only if the collateral / margin requirement on account of the Member/Associate Member remains fully covered by the reduced balance;

vi) Issuance of instructions to transfer funds from the Current Account of Clearing Corporation with RBI/Settlement Bank to the Current Account of the Member/Associate Member shall be construed as due and proper delivery of funds to the said Member/Associate Member by Clearing Corporation.

**Securities**

i) A Member/Associate Member shall contribute securities (in multiples of Rs. One Lakh of face value) in relation to its respective collateral / margin obligations;

ii) A Member/Associate Member shall arrange to deposit its collateral / margin contributions of eligible securities as per the Work Flow Process notified by Clearing Corporation from time to time. Clearing Corporation shall not in any manner be held liable for any consequences that may arise on account of non-receipt of securities deposits from the Member/Associate Member towards its collateral / margin contributions;

iii) A Member/Associate Member shall be entitled to receive credit for deposits of securities margins upon receipt of confirmation from RBI that the securities have been credited into the Constituent SGL account of Clearing Corporation. Such credit shall be reckoned for purpose of borrowing limit / margin computation in respect of such Member/Associate Member when such credit intimation is received from RBI;

iv) A Member/Associate Member shall be entitled to withdraw securities from its collateral / margin contributions by giving prior notice in the prescribed format as notified by Clearing Corporation from time to time.

v) Provided that if such notice for withdrawal is received in respect of a security at a time when it would be falling into shut period and rendering such delivery impossible, then such notice shall be considered to be invalid;
vi) Provided further that if such notice for withdrawal is received in respect of a security against which member has borrowed or such security is used by Clearing Corporation for availing liquidity and rendering such delivery impossible, then such notice shall be considered to be invalid;

vii) Withdrawal of securities by a Member/Associate Member shall result in a corresponding reduction in its Securities balances as and when instructions to transfer such securities are issued to RBI by Clearing Corporation. Such withdrawal shall be allowed only if the collateral / margin requirement of the said Member/Associate Member remains fully covered by the reduced balance;

viii) Issuance of instructions to transfer securities from the CSGL Account of Clearing Corporation with RBI to the SGL account of the member or to the Constituent SGL Account of the Bank with RBI with whom the concerned Associate Member is maintaining its GILT Account shall be construed as due and proper delivery of securities to a Member/Associate Member by Clearing Corporation;

ix) A Member/Associate Member shall be entitled to substitute securities deposited as collateral / margin contribution by giving prior notice to Clearing Corporation in the format prescribed from time to time for the purpose.

x) Provided that if such notice for substitution is received in respect of such securities as are falling into shut period and rendering such substitution impossible, then such notice shall be invalid. Such substitution shall be allowed only if the collateral / margin requirement of the Member/Associate Member remains fully covered with the substitution of securities;

xi) At the time of making requests for substitution, a Member/Associate Member shall ensure that the security offered for replacement forms part of the securities eligible for collateral / margin contribution and also conforms to the residual maturity period as per sub-clause 2(ii) above of this chapter.
7. Corporate actions on securities

i) Periodical interest receivable by a Member/Associate Member on their contributed securities shall be received by Clearing Corporation for and on behalf of such Member/Associate Member in the manner and mode prescribed by RBI in respect of Constituent SGL Accounts;

ii) Interest received by Clearing Corporation shall be subsequently transmitted to Member/Associate Member at the earliest. Clearing Corporation shall not be responsible for any delay in receipt of interest by the Member/Associate Member and no claim shall lie against Clearing Corporation on this account;

iii) Clearing Corporation shall not be responsible for servicing corporate actions on such securities held by Member/Associate Member in its GILT Account with Clearing Corporation which have been declared as ineligible for collateral / margin contribution;

iv) A Member/Associate Member shall monitor its securities contributions to ensure that the securities falling due for redemption are withdrawn well in advance before the redemption date and substituted by eligible securities of equivalent value. In the event of its failing to do so, redemption proceeds receivable by the Member/Associate Member on such securities shall be received by Clearing Corporation for and on behalf of such Member/Associate Member in the manner and mode prescribed by RBI in respect of Constituent SGL Accounts;

v) Redemption proceeds received by Clearing Corporation shall be treated as cash collateral / margin contribution;

vi) Issuance of instructions to transfer funds representing coupon payments from the Current Account of Clearing Corporation with RBI to the Current Account of a Member / Associate Member with RBI/Settlement Bank respectively shall be construed as due and proper delivery of funds to the said Member/Associate Member by Clearing Corporation.
CHAPTER V: LIMITS AND MARGINS

1. Borrowing Limits

i) Clearing Corporation shall at the end of the day determine the borrowing limits for its Member/Associate Member after valuation of securities in their GILT account with Clearing Corporation, applying appropriate haircuts. The limit so worked out would be available for borrowing by the Member/Associate Member for the next business day.

ii) The securities contributed by the Member/Associate Member shall be subjected to a valuation exercise at the end of each business day in order to ensure that the borrowings of the Member/Associate Member are fully supported by the adequate collaterals at any point of time. The valuation is carried out using the mark-to-market price as described in clause 6.3 and the value of securities contributed by the Member/Associate Member, net of haircut as described in sub-clause 2(ii) of Chapter VI, together with value of any cash margin contribution for the purpose shall be the basis for fixing borrowing limits as described above;

iii) Clearing Corporation, after computing the borrowing limit for the Member/Associate Member at the end of each business day, shall communicate the same to the respective Member/Associate Member in such manner as may be decided by Clearing Corporation from time to time.

iv) Clearing Corporation however may allow value of securities deposited during the day, net of appropriate hair-cut, to be added to the borrowing limit of a member in respect of deposits of securities and/or cash received for this purpose from such member. Clearing Corporation may also allow withdrawal of securities and/or cash by the members during the day by reducing the value of securities and/or cash, as the case may be from the borrowing limit of the members.
v) Members shall be permitted by Clearing Corporation to borrow funds in the CBLO market up to an amount equivalent to the borrowing limits set for such members.

vi) Clearing Corporation may at its sole discretion appropriate

- Unutilised balances in the Borrowing Limits of the Member towards its Initial Margin requirements.
- Unutilised balances made available by the Member for meeting its Initial Margin requirements towards any shortfall in the Borrowing Limits requirement of the said Member.

2. **Margin**

A. **Initial Margin**

i) Initial margin constitutes the margin obligation required to be fulfilled by a Member/Associate Member in relation to the risk exposures on the matched deals pertaining to its buying and selling CBLOs in the CBLO market. A Member/Associate Member willing to buy and sell CBLOs as above shall deposit Cash or Securities or acceptable Bank Guarantee or all, as may be specified by Clearing Corporation from time to time, towards initial margin in advance before putting up any bid or accepting any offer.

ii) If, at any time, a Member/Associate Member fails to fulfill its initial margin obligations, Clearing Corporation shall be entitled to suspend the rights flowing out of transactions to the concerned Member/Associate Member and/or to suspend the rights of the Member/Associate Member to operate in the CBLO Segment, till the shortage is fully met. Clearing Corporation shall also be entitled, without any notice, to direct ClearCorp, remove any order received from the Member/Associate Member from the dealing system of ClearCorp until the shortage is met;
B. **Mark-to-Market Margin**

i) Mark-to-Market Margin for CBLO segment constitutes the margin obligation to be fulfilled by a Member/Associate Member in the event of the value of securities offered by it as collateral, net of haircut and together with any cash margin contributed for this purpose, falling short of the face value of the CBLOs sold by the said Member/Associate Member representing its borrowings. Mark-to-Market Margin liability shall also arise if a Member/Associate Member has contributed initial margin in the form of securities and the value of securities, net of hair-cut and together with any cash margin contributed for this purpose, falls short of the initial margin liability of such Member/Associate Member at the end of the day. The Member/Associate Member having obligation to pay mark-to-market margin shall ensure deposit of mark-to-market margin in the form of Cash or Securities or both as may be specified by Clearing Corporation to meet the shortage on the next business day before the cut off time as notified by Clearing Corporation from time to time;

ii) In case the mark-to-market margin shortage as stated above is not deposited before the stipulated time on next business day, Clearing Corporation may, at its sole discretion, suspend the rights of the concerned Member/Associate Member to deal and/or operate in the CBLO Segment.

iii) A Member/Associate Member shall be liable to pay to Clearing Corporation additional charges as notified by Clearing Corporation from time to time for the period of delay in fulfilling its shortage in mark-to-market margin;

iv) Clearing Corporation shall subject to notification from time to time, have the discretion to revise, the rate of additional charges payable for the shortage/default;

v) The temporary suspension of rights of Member/Associate Member to transact in CBLO and/or the Membership may be revoked by Clearing Corporation at its sole discretion on fulfillment of the margin obligation and on recovery of other additional charges.
C. Volatility Margin

i) Volatility Margin constitutes the margin obligation required to be fulfilled by a Member/Associate Member in relation to the sudden increase in volatility of interest rates and shall be applied, at the discretion of Clearing Corporation, on

- Outstanding matched deals in respect of a Member/Associate Member;
- Securities provided as collaterals/margins.

ii) Such Margin may be imposed by Clearing Corporation at any time during the day and as a result, the borrowing limit and deposits for initial margins of the Member/Associate Member and/or initial margin requirement on the outstanding trades may be recomputed. If such re-computation indicates inadequacy of borrowing limit/initial margin in the account of any member beyond a level as notified by Clearing Corporation from time to time, Clearing Corporation shall be entitled to impose Additional Mark-to-Market margin equal to the shortfall in the account of the said member. Additional Mark-to-Market margin relating to the reduction in the value of securities shall be in force till the end of the day re-valuation of securities.

iii) Difference between the borrowing limit and the value of outstanding CBLOs (borrowings) of any Member/Associate Member may however be adjusted by Clearing Corporation at its sole discretion against any surplus initial margin, if available, in the initial margin account of the concerned Member/Associate Member.

iv) Member/Associate Member shall be notified by Clearing Corporation prior to the collection and/or maintenance of volatility margin.

v) In case of any shortage in the margin account of any Member/Associate Member on account of imposition of volatility margin, it shall be the responsibility of the said Member/Associate Member to replenish the shortage as directed by Clearing Corporation. In case the shortage in any of the margins as stated above is not replenished by the Member/Associate Member by the stipulated time the rights of the concerned Member/Associate Member to deal and/or operate in the CBLO Segment shall stand suspended.
vi) For the purpose of valuation of the outstanding trade positions and Collateral balances of the members in terms of clause 2 (C – i) of this chapter, Clearing Corporation intra-day MTM prices will be used. Such intra-day MTM prices will be generated by following a process as may be notified by Clearing Corporation from time to time.

3. Lien on Margins

i) A Member’s/Associate Member's contribution by way of margins either in the form of Cash or Securities or acceptable Bank Guarantee shall be subject to a first and paramount lien for all sums due to Clearing Corporation;

ii) Margin shall be available in preference to all other claims against the Member/Associate Member for the due fulfillment of its obligations and liabilities arising out of or incidental to any dealings made, subject to the Bye-Laws, Rules and Regulations of Clearing Corporation or anything done in pursuance thereof.

4. Suspension on failure to pay margin

i) If a Member/Associate Member fails to fulfill its margin obligation, Clearing Corporation shall be entitled to temporarily suspend the membership rights of such a member/Associate Member.

ii) A member/Associate member, in the event of its margin shortage shall be deactivated from the dealing system operated by Clearcorp on receipt of such direction from Clearing Corporation. Clearing Corporation shall direct ClearCorp to reactivate such Member/Associate Member on its dealing system upon replenishment of the said Margin shortage.

iii) A Member /Associate Member having shortage in initial margin, intra-day or at the end of the day shall be liable to replenish such margin shortage as determined by Clearing Corporation together with charges at the rate that may be notified by Clearing Corporation from time to time.
iv) In the event of any form of margin shortage, Clearing Corporation shall have the authority to dispose of the securities deposited with it as collateral/margins, by way of sale (including through private arrangement) or otherwise and hold the sale proceeds till the final repayment of the borrowings made by such Member/Associate Member. No interest shall be payable on such amount and the Member/Associate Member shall remain liable to make good any shortage in repayment of its borrowings or meeting any shortage related liability. Any surplus after adjusting repayment of borrowings and other charges shall become payable to the Member/Associate Member. In case the shortage in any of the margins as stated above is not replenished by the Member / Associate Member within the stipulated time Clearing Corporation may, at its sole discretion, suspend the rights of the concerned Member / Associate Member to deal and/or operate in the CBLO Segment.
CHAPTER VI: RISK MANAGEMENT

RISK MANAGEMENT

1. The provisions of this Chapter are outlines of the Risk Management practices of Clearing /corporation for CBLO segment. Clearing Corporations shall have the discretion to improve upon its practices relating to risk containment measures from time to time.

2. Clearing Corporation shall adopt the following risk management practices:

i) Clearing Corporation shall cover its risk through fixation of borrowing limits and through prescription of initial margin, mark-to-market margin and volatility margin. The securities in the GILT accounts of the Member/Associate Member offered as collateral for allocation of borrowing limit and/or towards initial margin shall be subjected to a valuation exercise at the end of each business day in order to ensure that the borrowings of the Member/Associate Member are fully collateralised at any point of time and its initial margin obligations stands fully met. The valuation shall be carried out using the Mark-to-Market price of Clearing Corporation;

ii) Clearing Corporation may, at its discretion, specify rates of haircut in percentage terms for all securities which would be acceptable to it as collateral or for deposit towards initial margin in terms of clause 2 (i to v) of the Chapter II. Such haircut rates shall be applied on the mark-to-market price of such securities. Clearing Corporation shall have the authority to modify such rates at such periodicity as it may deem fit;

iii) Clearing Corporation may, at its discretion and after due notification, set different set of Haircut rates for different classes of members, based on their nature of business, net worth or such other factors as may be decided by the Clearing Corporation from time to time;

iv) Clearing Corporation may, after due notification, set prudential limit for each Member in terms of its aggregate outstanding orders or trades. Such limit may be set based on
their nature of business, net worth or such other factors as may be decided by the Clearing Corporation from time to time. In the event of Member/Associate Member exceeding such limit, Clearing Corporation shall be entitled to set higher Initial Margin rates for the member in respect of trades which are in excess of such limits.

3. Mark-to-Market Price

i) Mark-to-Market price of securities placed as collaterals shall be computed following a process as notified in Securities Segment by Clearing Corporation from time to time. Mark to Market price of CBLO trades will also be computed as notified by clearing Corporation from time to time.

4. Initial Margin

i) The margin rates for initial margin for trades in CBLO market shall be arrived at based on Value at Risk or such other means as may be decided by Clearing Corporation from time to time and such factors shall be expressed as a percentage of the face value of the respective CBLOs. Clearing Corporation may however set different Initial Margin rates for trades in CBLO having different maturity periods. Clearing Corporation may, however, at its discretion, set uniform margin factor for all CBLOs;

ii) Clearing Corporation may, at its discretion and after due notification, set different initial margin rates for different members, based on their nature of business, net worth or such other factors as may be decided by the Clearing Corporation from time to time;

iii) The initial margin obligations for CBLO deals of a Member/Associate Member shall be computed by multiplying the net position in terms of face value of a CBLO of each maturity with the corresponding CBLO specific initial margin rates or the uniform margin factor, as applicable for the Member/Associate Member and then aggregating the margin obligations.

iv) Provided that if a Member/Associate Member has both bought and sold CBLOs of identical maturity, if such trades have resulted in a net loss for the Member/
Associate Member computed on a First In First Out basis such loss would also be added to the Initial Margin liability. Such margins shall be required to be maintained till the deals covered by such margin are settled.

5. Mark-to-Market Margin

i) The securities in the GILT account of the Member/Associate Member for allocation of borrowing limits or towards allocation of initial margin limits shall be subjected to mark- to-market valuation at the end of each business day as described in sub-clause 1 (ii) of Chapter V above;

ii) In the event of mark-to-market value of the securities along with cash margin, if any, deposited for the purpose of allocation of borrowing limit falling short of the face value of the CBLOs representing the borrowing of the Member/Associate Member or mark-to-market value of the securities together with cash margin, if any, deposited towards initial margin falling short of the initial margin liability of the Member/Associate Member at the end of the day, Clearing Corporation shall make a margin call on such Members/Associate Members in respect of whom such shortage occurs;

iii) The mark-to-market valuation done by Clearing Corporation at the end of each business day shall be valid till its computation as at the end of the subsequent day and any deposit of collateral during the day shall be taken up for valuation at the end of the day of such deposit.

iv) Clearing Corporation may set additional initial margin for trades conducted by a member at off market prices. Such margin shall be payable by the seller of the CBLO if the prices are set at lower than market price (or the yield at which the CBLO has been traded is higher than the market yield) or by the buyer if the prices are set at higher than the market price (or the yield at which the CBLO has been traded is lower than the market yield). Such margin shall be equal to the difference between the traded price and the market price. Clearing Corporation’s decision in regard to identification of trades at off market prices shall be final and binding on all concerned parties.
CHAPTER VII: CLEARING AND SETTLEMENT OF DEALS

1. General

i) Clearing Corporation may, at its discretion, decide on the cut-off time for taking up the matched deals in respect of different settlement periods for clearing and settlement;

ii) Clearing Corporation shall take up the matched deals in CBLO Markets from ClearCorp's CBLO Dealing system for clearing and settlement depending on the settlement period;

iii) Matched Deals in CBLOs in the CBLO Markets shall be taken up for processing after verification of Initial Margin availability in respect of the counter-party members with reference to such deals as enumerated in the Chapter 6 on Risk Management;

iv) Deals for which adequate Initial Margin is available in the accounts of the counter-party members will be guaranteed by Clearing Corporation for settlement;

v) All the deals shall be settled on delivery versus payment basis i.e. the CBLOs will be credited to the Member’s/Associate Member’s accounts after the receipt of funds settlement confirmation from RBI/Settlement Bank on the date of settlement;

vi) Settlement of deals shall be effected through a process of novation. Such settlement may be on a bilateral or multi-lateral netting basis or gross basis, or deal by deal basis or any other basis as may be specified by Clearing Corporation from time to time;
2. Settlement Process

A. Settlement of Funds

i) Without prejudice to the generality of the above, the settlement of funds shall be carried out on a multi-lateral netting basis across CBLO Market trades;

ii) Funds obligation of a Member/Associate Member shall comprise of the obligation in respect of deals concluded for a given settlement date and redemption obligation due on that date;

iii) Unless and otherwise specified, the settlement of funds in respect of Members shall take place at RBI and the settlement of funds in respect of Members / Associate Members shall take place at Settlement Bank(s) specified by such Members as per sub-clause 4 (i) of Chapter III;

iv) Settlement of funds shall be effected through Current accounts maintained by the Member/Associate Member at RBI/Settlement Bank. The RBI/Settlement Bank Regulations relating to Current account shall be deemed to form part of any settlement process so prescribed;

v) Clearing Corporation shall generate and provide to each Member/Associate Member funds obligation report which

   a) shall comprise of funds payable and/or receivable by the Member/Associate Member for deals matched and falling due for settlement on the settlement date;

   b) shall be deemed to be Member’s/Associate Member’s confirmation of different deals for which funds are to be received from and/or paid to the Member/Associate Member on settlement date;

   c) shall be deemed to be Member’s/Associate Member’s instructions to RBI/ Settlement Bank for effecting settlement in its Current account.
d) Settlement shall be final and irrevocable when the net obligations are determined.

vi) A Member/Associate Member shall ensure availability of sufficient funds in their Current account with RBI/Settlement Bank. If a Member/Associate Member fails to provide the same on the settlement date to meet its fund obligations arising out of its deals, it shall be considered as funds shortage which shall be dealt with as provided in Chapter IX relating to “Shortage Handling” in these Regulations;

B. Settlement of CBLO

i) Settlement of CBLO shall be carried out maturity wise on multilateral netting basis;

ii) CBLO obligation including redemption obligation of a Member/Associate Member shall be computed separately for different settlement periods;

iii) Settlement of CBLOs shall be carried out in the CBLO account of Member/Associate Member maintained by Clearing Corporation;

iv) Clearing Corporation shall generate and provide to each Member/Associate Member the CBLO obligation report which

   a) shall comprise of CBLOs payable and/or receivable by the Member/Associate Member for the deals matched and falling due for settlement on settlement date;

   b) shall be deemed to be Member’s/Associate Member’s confirmation of the different deals for which CBLOs are to be received from and/or delivered to the Member/Associate Member on settlement date;

   c) shall be deemed to be Member’s/Associate Member’s instructions to Clearing Corporation for effecting settlement in its CBLO account.
d) Settlement shall be final and irrevocable when the net obligations are determined.

v) A Member/Associate Member shall ensure availability of sufficient CBLOs/borrowing limit in their accounts. If a Member/Associate Member does not have sufficient balance on the settlement date to meet its CBLO obligations arising out of its deals, it shall be deemed as CBLO shortage which shall be dealt with as provided in Chapter IX relating to “Shortage Handling” in these Regulations;

vi) Clearing Corporation shall credit the CBLOs receivable by the Member/Associate Member in its respective CBLO accounts with it only upon receipt of fund settlement confirmation from RBI/Settlement Bank.

C. Redemption of CBLO

i) Clearing Corporation shall ensure that, on the day of maturity of CBLOs, the funds obligation of the Member/Associate Member is computed after taking into account the funds payable towards redemption for such Member/Associate Member for that settlement day;

ii) Clearing Corporation shall remove respective CBLOs on the dealing system and release the borrowing limit of such Member/Associate Member on the day of maturity of CBLOs.

iii) Notwithstanding anything contained in these Regulations, the holders of CBLOs (lenders) shall be deemed to have interest in the underlying blocked securities related to the CBLOs lying to their credit until these are fully redeemed and proceeds received by them.

iv) Provided, however that the holders of CBLOs (lenders) shall be deemed to have ceded its said interest in the underlying securities to Clearing Corporation, upon Clearing Corporation disbursing the proceeds from redemption of the CBLO to it.
CHAPTER VIII: SETTLEMENT BANK

1. Clearing Corporation facilitates funds settlement of CBLO transactions of its Members / Associate members, concluded on CBLO trading system of Clear Corp Dealing system;

2. Clearing Corporation may at its discretion appoint one or more banks as Designated Settlement Bank (DSB), under advice to RBI for settlement of funds in respect of the Members not maintaining Current account at RBI for the purpose of funds settlement and Associate members.

3. The Members / Associate members shall maintain Current Account with any of the Designated Settlement Banks for the settlement of funds obligations under these Regulations.

4. Such Member/Associate member at the time of seeking Membership of CBLO segment shall communicate to the Clearing Corporation regarding the details of its Settlement Bank for the purpose of availing the funds settlement facility;

5. Clearing Corporation shall notify to the Members the settlement process, time frame for carrying out instructions and other operations that the Settlement Banks shall be required to follow for funds settlement of CBLO transactions in an orderly manner of its Members / Associate members;

6. The Clearing Corporation will have the right to seek information/ explanations/ clarifications on the settlements operations of the DSB in such manner and periodicity as it may deem fit and may issue guidelines, directions and orders in respect thereof and the DSB shall comply with the same;

7. The DSB undertakes to keep strictly confidential any and every technical and business information including, but not limited to that which may be disclosed or confided to it by the Clearing Corporation or which it may obtain from the Clearing Corporation and
which it shall not disclose to any third party; provided, however, the DSB shall disclose any of such information upon the Clearing Corporation's consent to Regulatory or other Statutory authorities, if the authorities so require.

8. The DSB shall be duly authorized by the Clearing Corporation to ensure funds settlement, collection of margin money, charges, levies, additional charges, servicing of corporate action like payment of interest etc., and any other funds movement between the Member / Associate member and Clearing Corporation as prescribed by Clearing Corporation;

9. Settlement Bank shall take instruction from Clearing Corporation and act in accordance with instructions received from Clearing Corporation in regard to funds settlement and debit/ credit the Settlement Account of the Members / Associate members and transmit confirmation to Clearing corporation;

10. Instructions of Clearing Corporation for debits and credits to the Member’s / Associate member's Settlement Current accounts by the Settlement Bank shall be irrevocable and final;

11. The Member/Associate member shall authorize DSB to access its Current account for debiting and crediting its Settlement accounts in accordance with instructions received from Clearing Corporation;

12. DSB shall extend to Clearing Corporation the facility of on-line monitoring of transactions in the Settlement Account of Clearing Corporation;

13. DSB shall enable Clearing Corporation to view the balances and/or transaction details in the Settlement accounts of the members / Associate members maintained with the DSBs on an on-line basis. DSBs shall also allow similar access to the authorized representatives of the members/Associate members.
14. DSBs shall ensure that funds earmarked for clearing corporation settlement are not encumbered, utilized or transferred before completion of settlement cycle as set out by Clearing Corporation;

15. DSB shall, upon receipt of instruction from Clearing Corporation to that effect, transfer funds from settlement account of Members / Associate members to settlement account maintained by Clearing Corporation with the Settlement Bank for pay-in instructions and vice versa for pay-out instructions. Similarly, DSB shall enable Clearing Corporation to transfer balances from such accounts of the members / Associate members to Clearing Corporation’s Settlement account with them or vice versa as part of its Settlement or Default handling process;

16. DSB shall maintain record of the date and time stamp of all the payments and receipts executed by it in the Settlement account of Clearing Corporation and the Settlement Accounts of the Members / Associate members. Members / Associate members will have the responsibility to monitor transactions in their accounts and to take up with their Settlement Bank any instances of unusual delay in effecting pay-ins and pay-outs. The transaction details along with time stamp must be submitted by the Bank as and when requested by the Regulator or Clearing Corporation. The Settlement Bank shall preserve such details for a period prescribed under the applicable laws or such other rules made thereunder.

17. In the process of funds settlement at the DSB, if there is any funds shortage arising out of settlement instructions received from Clearing Corporation, the DSB shall advise the same to Clearing Corporation and act in accordance with the instructions given by Clearing Corporation to meet such shortages;

18. The DSB shall meet the shortage by utilizing the balances available in Clearing Corporation’s Proprietary account and/ or the Line of Credit extended by it to Clearing Corporation. Accordingly DSB would transmit confirmation advices to Clearing Corporation;
19. The Clearing Corporation may net DSB’s own funds obligations with the net funds obligations of all its members and Associate members. If such netting results in funds pay-in, it shall be the responsibility of DSB to make available such netted amount at its Current Account with RBI to enable RBI to process funds settlement as per Clearing Corporation’s instructions. If such netting results in pay-out of funds, DSB will receive such amount at its Current account with RBI & it will be Settlement Bank’s responsibility to make available such funds with Clearing Corporation’s Settlement Account maintained with it to effect funds pay-out to members / Associate members as per Clearing Corporation’s instructions;

20. While processing Clearing Corporation Funds file at RBI, funds shortage, if any, in DSB’s Current account maintained with RBI, shall be treated as funds shortage on account of DSB and Clearing Corporation will initiate action as per Chapter IX “Settlement Shortage / Defaults” of this Regulations”; This shall be irrespective of failure to transfer funds as mentioned in Regulation. 19 above or otherwise,

21. Clearing Corporation may transfer the credit balances from its settlement account with the DSB to its current account with RBI under instruction to the DSB;

22. Settlement Bank shall immediately inform Clearing Corporation about action, if any, initiated by any of the authorities, any irregularity observed in the members/Associate members current/settlement account or any deviation from Know Your Customer (KYC) norms;

23. Information relating to any change in the DSB by the Member / Associate member shall be advised at least 15 days in advance; by the member / Associate member along with No objection letter from the existing DSB and the concurrence from the new DSB to Clearing Corporation.

24. DSB shall put in place adequate controls and risk management systems to facilitate smooth and effective settlement of fund obligations;
25. In respect of settlement related transactions of the members / Associate members including transactions relating to close out of trades or positions of such members / Associate members which are routed through their DSB, members / Associate members will be discharged of their liabilities in respect of their Funds pay-in obligations only after the monies paid by them has(/ve) been transferred by the concerned DSB to the Clearing Corporation’s respective Settlement account(s) and/ or Current Account with Reserve Bank of India. Members. shall however get valid discharge if such funds are appropriated by the DSB to effect pay-out to other members /associate members of Clearing Corporation as part of settlement process in terms of instructions given by Clearing Corporation.

26. In respect of Funds pay-outs to the members / Associate members by Clearing Corporation, Clearing Corporation shall have valid discharge , after it has transferred funds to the accounts of DSB, either from its settlement account at RBI or from any other DSB and issued instructions to the DSB to transfer such funds to the account of the concerned members / Associate members.
1. SETTLEMENT SHORTAGE

Failure of a Member/Associate Member to discharge its obligation in full or in part to deliver funds and/or CBLO due from it at the time of settlement shall be treated as a Settlement Shortage.

i) Clearing Corporation shall have the absolute discretion to decide on the mode of handling shortages and the decision of Clearing Corporation shall be binding on all the Members/Associate Members;

2. DECLARATION OF DEFAULT

A member/Associate Member for the purpose of these Regulations may be declared as a Defaulter in the event of:

i) Failure to replenish its settlement shortage within the stipulated cut off time.

ii) Failure to replenish its margin obligation within the stipulated cut off time;

iii) Inability to pay within specified time damages and the price differences due to any closing out effected as per Bye-Laws and Rules of clearing Corporation;

iv) Under any other circumstances as set out in the Bye-Laws and Rules of clearing Corporation;

3. PENALTY ON SETTLEMENT SHORTAGE /DEFAULT

Clearing Corporation shall impose on a member in-shortage / defaulter, penalty and such other charges as notified by Clearing Corporation. While computing number of days for levying penalty only business days may be reckoned provided such penalty and
shortage obligation is paid / replenished by the Member’ on the next business day after the day on which shortage occurs.

However, in the event of failure by a member to honor 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.

4. WITHHOLDING OF CBLO AND FUNDS

Notwithstanding anything contained in these Regulations, Clearing Corporation may withhold, for such period(s) as it may decide, pay-out of any CBLOs and/ or funds including securities and/ or funds constituting Margins, without any cost to Clearing Corporation, if A Member has not delivered the required security collaterals for its borrowings or failed to discharge its payment obligations on the settlement date; or

i) A Member fails to satisfy the Margin requirements; or

ii) A Member fails to fulfill any obligations arising out of Bye-Laws, Rules and Regulations.

iii) Clearing Corporation shall adopt the shortage handling procedure for both funds and CBLOs as under:

A. Shortage of Funds

i) Clearing Corporation shall initiate all measures that are prudent, practicable and necessary to meet the funds shortage in order to ensure that the deals are settled and all the non-defaulting Members/Associate Members receive funds and/or CBLOs due to them;

ii) In case Clearing Corporation is not in a position to meet the funds shortage, the shortage shall be allocated to the Members/Associate Members, at the discretion of Clearing Corporation, in proportion to their funds receivable position as on the concerned settlement date;
iii) The Members/Associated Members, who are allocated such funds shortage, shall be duly compensated at such rate as may be notified by Clearing Corporation, from time to time, on the shortage amount allocated to them.

iv) In case of funds shortage, Clearing Corporation shall withhold the pay-out of CBLOs and the initial margin to the extent applicable for such trade (or such higher amount as may be determined by Clearing Corporation at its sole discretion) in respect of the Member/Associate Member in whose account shortage has occurred;

v) In case of shortage in redemption of CBLOs, the Securities in the GILT account of the Member/Associate Member shall remain blocked. In addition, Clearing Corporation may, at its sole discretion, withhold the CBLOs receivable if any, and the initial margin in respect of the said Member/Associate Member;

vi) The Members/Associate Member in whose account shortage has occurred shall be liable to pay to Clearing Corporation, the amount of shortage together with additional charges and any other incidental charges at such rate as may be notified by Clearing Corporation from time to time;

B. Shortage of CBLOs

i) The funds pay-out to the Member/Associate Member in whose account shortage has occurred and the initial margin to the extent applicable for such trade (or such higher amount as may be determined by Clearing Corporation at its sole discretion) shall be withheld by Clearing Corporation. In case the withheld funds are not sufficient to cover the value of shortage, Clearing Corporation shall have absolute right to withhold CBLOs receivable, and/or CBLOs outstanding in the CBLO account of that Member/Associate Member till the shortage is replenished;

ii) Clearing Corporation shall initiate such measures as are prudent, practicable and necessary to meet CBLO shortage to ensure that deals are settled and the Members/Associate Members to whom shortage has been allocated receive funds and/or CBLOs due to them. However, in the event of Clearing Corporation not being in a position to meet the CBLO shortage, Clearing Corporation shall have
the right to exercise any of the following options either in isolation or in combination thereof and the concerned Member/Associate Member in whose account shortage has occurred shall be deemed to have given consent to meet shortage in CBLOs in the manner as described below:

a) Clearing Corporation shall create the relative CBLOs to meet the shortage by utilizing the funds withheld and balance available in the margin account of the Member/Associate Member with Clearing Corporation;

b) The Member/Associate Member in whose account shortage has occurred shall deposit additional Collateral with Clearing Corporation to enhance its borrowing limit or buy the relative CBLO from the CBLO Market and deliver the same to Clearing Corporation on the next business day to replace such CBLOs created earlier for meeting shortages so as to obtain release of withheld funds due to it, after payment of additional charges to Clearing Corporation;

c) In case the Member/Associate Member fails to deliver additional collaterals and / or deliver the relative CBLO on the next business day before 12.30 p.m., Clearing Corporation may close out the position by buying the concerned CBLO from the market by utilizing the withheld funds. In case the withheld funds are not sufficient to buy the concerned CBLO, the same shall be adjusted along with additional charges, if any, out of the said Member's/Associate Member’s contribution to initial margin and/or by disposal of other CBLOs, and/or the funds available as margin and/or securities if any, available in the GILT account of the Member/Associate Member.

iii) Where Clearing Corporation is not in a position to meet the shortage of CBLO, the same shall be allocated to Members/Associate Members who have got net receivable position in the said CBLO. The Method for such allocation shall be as may be determined by Clearing Corporation and duly notified;

iv) If Clearing Corporation resorts to the provisions of Sub-clause 6 (B iii) above of this Chapter, the defaulting Member shall be liable to pay as under:
a) an amount equivalent to the difference between the consideration amount paid by the non-defaulting member and Clearing Corporation’s consideration amount arrived at the lowest yield.

b) Charges and any incidental charges for CBLO shortage as notified by Clearing Corporation, from time to time.

c) The non-defaulting member shall be duly compensated at the rate as may be notified by Clearing Corporation, from time to time.

C. EFFECTS OF SETTLEMENT SHORTAGE / DEFAULT

The process outlined below shall be effective contingent upon the occurrence of a shortage / default;

a. Funds Shortage / Default

i) Where Clearing Corporation is able to meet funds shortage:

ii) The Member/Associate Member in whose account shortage has occurred shall be liable to make payment before 12.30 p.m on the next business day the amount of shortage together with charges, additional charges and levies as notified by Clearing Corporation from time to time;

iii) Clearing Corporation shall, upon receipt of confirmation from RBI/Settlement Bank about replenishment of funds into its Current account with RBI/Settlement Bank, arrange to release the CBLOs withheld and/or borrowing limit and initial margin withheld;

iv) In the event of the Member/Associate Member not making payment equivalent to shortage together with charges, additional charges and other levies within the time limit (as per para above) as described above, the same shall be deemed to be a default committed by the said Member/Associate Member and such Member may be declared as a defaulter by Clearing Corporation. In such event, Clearing Corporation
shall have the absolute right to liquidate in any manner it may deem fit, the relative CBLOs, securities (in market lots and adequate to cover the default obligation) and use the proceeds towards discharge of the obligation of such Member/Associate Member. Excess amount, if any, realized from such sale/disposal shall be payable to the Member/Associate Member and the excess CBLOs, securities, if any, shall be released to concerned Member/Associate Member;

v) In case the sale proceeds of CBLOs, securities and initial margin withheld are not sufficient to cover the shortage obligation, Clearing Corporation shall be entitled to use the other CBLO holdings, securities and the balance available in the initial margin account of the Member/Associate Member;

vi) Clearing Corporation shall initiate sale/disposal of withheld securities and/or CBLOs on the second business day including the day of shortage;

vii) In case the withheld CBLOs are due for redemption on the day of sale/disposal, Clearing Corporation shall be entitled to receive redemption proceeds of the CBLOs and adjust the same against shortage/default obligation of the Member/Associate Member together with additional charges and incidental charges if any;

viii) In case the withheld securities enter into shut period on the day of sale of securities, the sale of such securities shall be carried out immediately after the completion of the shut period. In the intervening period, the Member/Associate Member is liable to pay the additional charges / levies as prescribed by Clearing Corporation from time to time;

ix) Where Clearing Corporation is unable to meet funds shortage: In the event of Clearing Corporation not being able to meet the funds shortage, the same shall be allocated to Members/Associate Members who have got funds receivable position on the concerned settlement date in proportion to their individual funds receivable position. The method of
such allocation shall be decided by Clearing Corporation and duly notified. All other actions outlined in sub clause 6(C – i(i.i to i.viii) above of this Chapter above (in regard to funds shortage) shall also be applicable in such cases;

b. **CBLO Shortage/default**

i) Clearing Corporation shall deal with the CBLO shortage as per the procedure mentioned in sub-clause sub clause 6(B – i.i to i.iv) above of this Chapter above;

ii) Clearing Corporation shall recover additional charges from the defaulting Member/Associate Member as notified by Clearing Corporation from time to time;

iii) In the event of the Member/Associate Member not making securities available equivalent to CBLO shortage together with charges, additional charges and other levies before 10.30 am on the next business day, the same shall be deemed to be a default committed by the said Member/Associate Member and such Member may be declared as a defaulter by Clearing Corporation. Clearing Corporation shall, in the event of closing out of deals, compensate the Members/Associate Members to whom shortage quantity has been allocated and such compensation payable shall not exceed the rate as notified by Clearing Corporation from time to time.

iv) Notwithstanding anything contained herein, upon the occurrence of a default, the authority of Clearing Corporation to dispose of and sell the securities of the defaulter shall extend to all such securities of the defaulter and shall not be limited to the blocked securities of CBLO in respect of which default has occurred.

v) All decisions of Clearing Corporation relating to shortage handling including, default and adjustment shall be conclusive and binding on all Members / Associate Members.
CHAPTER X: SUDDEN EVENT HANDLING

i) Due to the occurrence of any unforeseen event or circumstances beyond the control of Clearing Corporation, it may suspend clearing and settlement of CBLOs by declaration of an unscheduled holiday;

ii) In such an eventuality, the following procedures, which may be modified and notified by Clearing Corporation from time to time, shall be adopted by Clearing Corporation:

   a) All the deals concluded by the Members/Associate Members on such days and/or all such deals due for settlement on such days shall be cancelled by Clearing Corporation and the decision of Clearing Corporation in this regard shall be final and binding on all the Members/Associate Members;

   b) The obligation for funds in respect of redemptions of CBLOs on such days shall be combined with the transactions due for settlement on the next business day and the funds obligation in respect of the said Members/Associate Members shall be arrived at accordingly.

   c) Any interest accruals on account of such delayed settlement shall be recovered by Clearing Corporation from the borrower of funds and the same shall be payable to the lender of funds at the rate notified by Clearing Corporation.

   d) Clearing Corporation may adjust such interest accruals together with redemption obligations due on unscheduled holiday to next business day’s obligation of the member.

iii) Clearing Corporation shall in no way be held liable in the event of:

   ▪ Failure of the communication systems or failure of payments caused directly or indirectly by equipment or system failure;
- Failure of Settlement Bank to execute its obligations acting in its capacity as settlement bank;

- Failure of Settlement Bank to comply with the instructions sent by Clearing Corporation towards settlement obligations;

- Any other cause beyond the control of Clearing Corporation

iv) Clearing Corporation shall not be held liable in the event of force majeure, strikes or any other unavoidable event that prevents Clearing Corporation 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.
i) Clearing Corporation shall, at its discretion, decide the mode and manner of delivery/receipt of reports to/from its Members;

ii) Clearing Corporation 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;

iii) Clearing Corporation shall have the discretion to make changes in the Report formats as and when it may consider necessary from time to time;
CHAPTER XII: MISCELLANEOUS

Suspension rights of Clearing Corporation

i) Clearing Corporation / may suspend its members as specified in the Regulations.

ii) 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.
CHAPTER XIII: FEES AND CHARGES

A. Schedule of Fees and Charges

i) The Board or any other Committee appointed by the Board or Official(s) of Clearing Corporation authorized 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 Clearing Corporation authorized 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 Clearing Corporation from time to time.

B. Bills for Fees and Charges

i) Clearing Corporation shall forward to its Member/Associate Member the monthly bills relating to usual fees and charges;

ii) Clearing Corporation 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 Clearing Corporation of discrepancies, if any, with all necessary details, not later than two days from the date of notification of the relative bill.

C. Recovery of Fees and Charges

i) The Member/Associate Member shall effect payment of fees and charges payable by them to Clearing Corporation by the 10th day of the subsequent month in the manner notified by Clearing Corporation 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 Clearing Corporation;

iii) The additional charges shall be payable by the Member/Associate Members in such manner as notified by Clearing Corporation from time to time.

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