THE CLEARING CORPORATION OF INDIA LTD.

<u>NOTIFICATION</u>

7th November, 2023

Notification No.: CCIL/FX-FF/23/57

All Members
Forex Forward Segment

Dear Sir/Madam,

<u>Clearing Member (CM) Structure in Forex Forward Segment</u>

CCIL's Notification No. CCIL/FX-FF/20/70 dated 30th December, 2020 provide details of the Clearing Member Structure in the Forex Forward Segment. We invite your attention to CCIL's Notification No. CCIL/Legal/23/29 dated 27th October, 2023. As stated therein, the Regulations of the Forex Forward segment have been amended with effect from 27th November, 2023.

Members are advised that Notification No. CCIL/FX-FF/20/70 dated 30th December, 2020 stands revised as below:

CCIL currently offers CCP clearing services for foreign exchange forward contracts in Forex Forward Segment (FFS). Forward trades with residual maturity upto 13 months are cleared in this segment. These trades along with Spot trades are settled as part of CCIL's USD/INR segment once the forward position enter the spot window. Presently, all members are admitted as direct members to CCIL's Forex Forward segment.

One of the key recommendations of the Task Force set up by RBI on Offshore Rupee Markets (July 2019) is to "*establish a central clearing and settlement mechanism for non-resident transactions in the onshore market to facilitate non-residents to hedge their foreign exchange exposure onshore*".

2. Accordingly, **effective 1st February, 2020**, CCIL is extending the services of CCP clearing in Forex Forward segment to residents such as Corporate and non-resident users such as Foreign Portfolio Investors to avail clearing of USDINR trades through a Clearing Member in the Forex Forward Segment of Clearing Corporation

   The Clearing Member structure has been designed to provide protection to the clients' collateral placed by them as margin with the Clearing Members. Constituents shall avail the services of CCP clearing through Clearing Member(s) only.

3. **Clearing Member Structure**

   The undernoted Membership structure shall be provided to the current Forex Forward Members and its Constituents:

   i. *Self-Clearing Members (SCM):* SCMs are direct members of the segment who are permitted under the CCIL's Bye-laws, Rules and Regulations of Clearing Corporation to clear and settle only proprietary trades. SCMs will be responsible for the margin contributions for its own proprietary trades as well as for the default fund contributions.

   ii. *Clearing Members (CM):* Clearing Member is a member of Forex Forward Segment of Clearing Corporation who is permitted to clear its own proprietary trades as well as trades of its constituents. Clearing member will be responsible for the margin and default fund contributions for its proprietary trades and for the trades of its constituents.

   iii. *Constituent:* Constituent shall be an entity or a person on whose instructions and on whose account the Clearing Member clears Trades in the Forex Forwards Segment. Each constituent shall be required to avail the services of CM(s). A constituent may avail the services of multiple CMs.

4. **Collateral**

   CM would be required to contribute cash and securities towards Member Common Collateral ~~SGF contributions~~, separately for its own Proprietary trades and for its 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 shall report the amount allocated to each constituent within the Group (of constituents).

The available balances in the Member Common Collateral ~~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*).

5. **Trade Processing and Clearing of Constituent trades:**

   a. *Eligible Trades:*

   Spot and Forward trades of Constituents with residual maturity upto 13 months are eligible for clearing under Forex Forward Segment. Trades concluded by the Constituent bilaterally, either with its CM or with any other market maker shall be cleared by CCIL under the Forex Forward Segment. The reporting shall be done by the CM or by the constituent directly to CCIL. As constituents can come through multiple CMs, each reported trade will have the information about the Clearing member through which the Constituent would settle the trade. *(IFN300 format enclosed as Annexure I).* Trades reported shall be subjected to validation and matching.

   CCIL will have no contractual relationship with the Constituents. All trades upon entering the Spot window shall be settled on account of the Clearing Member. Cash and Tom trades of Constituents shall not be cleared through CCIL.

   b. *Cut-off time for Reporting:*

   CCIL shall clear USD/INR Spot and Forward trades of Constituents upto S-2 day. The Cut-off time for reporting and acceptance of Constituent Spot and Forward trades is S-2 day ~~4:00~~ 6:00 p.m. Accordingly, the netted forward position shall be transferred to Forex Settlement Segment at ~~4:00~~ 6:00 p.m.

   c. *Trade Acceptance and Settlement:*

   On validation and matching, eligible trades shall be subjected to exposure checks in the Forex Forward Segment. Margin adequacy would be checked for both counterparties and in case there are adequate margins in both accounts, the trade would be taken for guaranteed settlement. Trades done by constituents will be accepted by debiting the margin requirements from their respective collateral account. Trades will continue to remain with status as "*pending acceptance for CCP clearing*" until S-2 day if the margin

made available in the account is not sufficient to support the trades. Trades that fail to pass the exposure check shall stands rejected in the Forex Forward Segment on S-2 day.

The net obligation for each Clearing Member and its Constituent will be arrived at separately. However, the interbank leg of the transaction of the constituent with the market maker/Clearing Member would be netted with the position of the Clearing Members and one consolidated net position will be transferred to the Forex Settlement segment. These netted positions would be subjected to exposure check as applicable for the segment. Clearing Members shall ensure that the netted forward positions are within the Exposure Limit by the prescribed cut-off time of ~~11:00 a.m.~~ 1:00 p.m. on S day.

The underlying trades of Clearing Members and constituents will remain as a part of CCIL's Forex Forward Segment and the corresponding margins will be released on S day. The margin model of CCIL's Forex Forward segment will be extended to Constituent Trades *(Refer to Risk Notifications on the Margining)*.

All obligations arising between the Clearing Member and its constituents shall be settled between them bilaterally. The settlement between CCIL and its Clearing members would be as per the extant process in the Forex Settlement Segment.

d. **_Reports:_**

The information pertaining to the status of the trades will be provided through various reports made available to Clearing Member and also to the constituents. The details of various reports shall be provided separately along with operational guidelines.

The updated Regulations are also available on our website *(www.ccilindia.com)* under Membership section.

This notification shall be effective 27th November, 2023.

Yours faithfully,

for The Clearing Corporation of India Ltd.,

sd/-
Managing Director
Encl: as above

IFN300 Message Guide

Forex IFN 300 Message Format (Block 4 in the Message):

SEQUENCE A: Conditions of the Contract

Status	Field No	Field Name	Content and Options
Mandatory	20	Transaction Reference Number	16x
Mandatory	21	Related Reference	16x
Mandatory	22	Code/Common Reference/ Swap identifier if it is a swap deal	4a2c4n4a2c (*) /8n7number1x
Mandatory	30	Date Contract Agreed/Amended	8n
Mandatory	36	Exchange Rate	12number
Optional (Mandatory to be sent to CCIL)	72	*Sender To Receiver Information	25x

* In case of Constituent Trade, the Constituent ID shall reflect in field 72 as a Member or counterparty as the case may be.

SEQUENCE B Amount Bought

Status	Field No	Field Name	Content and Options
Mandatory	32R	Value Date Currency Code Amount	8n3a15 number
Optional	56A	Intermediary	A
Mandatory	**57A	Account with Institution	A or D

SEQUENCE C Amount Sold

Status	Field No	Field Name	Content and Options
Mandatory	33P	Value Date Currency Code Amount	8n3a15 number
Optional	53A	Sender's Correspondent	A
Optional	56A	Intermediary	A
Mandatory	**57A	Account with Institution	A or D
Mandatory	26H	Spot rate in case of outright forward trade. Will remain blank in case of other than outright forward trade.	12number
Mandatory	77D	Time	6 Number

** In case of Constituent Trade, the Clearing Member ID of the Constituent reporting the trade shall reflect in the first field 57A and the CM of the counterparty would be mentioned in the Second F57A.

X :- Alphanumeric   n = Date   A = Swift Code   D= Bank Name

(*)
- 4a – Bank's BIC code
- 2c – Bank's Location code
- 4n – Exchange Rate (4 digits taken from the Right Hand Side from the first Non-Zero Digit.)

For Examples:1. If Exchange rate 78.7525 then 4n would be 7525

2. If Exchange rate 78.2500 then 4n would be 7825

3. If Exchange rate 78.0000 then 4n would be 0078

4. If Exchange rate 78.5000 then 4n would be 0785
5. If Exchange rate 78.2550 then 4n would be 8255.
- The placement of 4a is in alphabetical order of both the banks.

Logic for Swap Identifier:

Currently, members report the two legs of the swap deals as individual deals. The deals are not clearly identified as swap transactions. However, as per the Report of the Working Group on Reporting of OTC Interest Rate and Forex Derivatives, swap transactions need to be clearly identified and would form part of the information base of the Trade Repository.

In the consultative committee meeting held on 22nd Feb, 2012, it was decided that banks would include the logic for swap identification as given below:

1. The swap identifier necessarily needs to be quoted in field 22 of IFN300 for a swap transaction as per the logic explained below.

2. The minimum and the maximum field length of the identifier to be 16 characters (alpha numeric).

3. The identifier to start with trade date in the **yyyymmdd** format, followed by the running sequence number with F and S at the 16th place of the identifier. The number sequence should be pre fixed with leading zeros. The running sequence cannot be more than seven digits. **F** to be quoted for the first leg and **S** in case of the second leg. The sequence number should be reset every day.

4. The identifier is unique to the swap trade covering both legs of the swap transaction, except that the first leg would end with a **F** and the second leg with a **S,** i.e the number for the both legs of the swap deal would be the same.

5. Please note that if the same is not quoted as per the logic in field 22, it will not be recognized as a swap transaction.

Examples of the swap identifier are as given below:

	Particulars	Swap identifier	Remarks
1	a) Assuming a cash/tom swap is done by party A on 23rd Feb, 2012, the swap identifier in this case would be:	201202230000001F 201202230000001S	Trade date in the yyyymmdd format, followed by a running number and F at the 16th place for the first leg and S for the second place
2	The second swap identifier done by the member on the same trade date may be numbered as	201202230000002F 201202230000002S	

The IFN300 message has to be sent in the following order :-

OUTGOING MESSAGE

{ 1:Basic Header Block:	
: Application Identifier	: F- User to User
: Application Protocol Data Unit Identifier	: 01- User to User
: Originating Date	: YYYYMMDD
:Originating Time	: HHMM
: Sender's Address	: (Unique IFSC Code) Till SFMS goes live, it will be sender's swift code (11 characters Long or CCIL member Id with one character removed)
: Sequence(Number)	: (To be input by the system)Presently it would be XXXXXXXXX}(9 characters long)

{2: Application Header Block:
  : Message Type   : 300 - Forex Exchange Confirmation
  : Sub Message Type   : XXX
  : Date   : YYYYMMDD
  : Time   : HHMM
  :Receipent Address   : CCIL (11 characters long)
  : Sequence Number   : XXXXXXXXX (9 characters long)
  : Non Delivery Warning Indicator : 0 (Warning Not required for the Moment)
  : Open Notification Indicator   : 0 (Warning Not required for the Moment)
  : Obsolence Period   : XXX (3 characters long)}

{3: User Header Block :
        Additional Reference – OPTIONAL)}

{4: Text block:
  :20 :Transaction Reference Number(16x)
  :21 : Related Reference
                Three Codes NEWT, AMND,CANC which indicates which sort of deal it is.
                NEWT : Indicates the deal is new
                AMND : Indicates the new deal reported has been amended
                CANC : Indicates the new deal reported previously has been deleted

  :22:Common Reference Number/ Swap Identifer (As Explained In Page 1)

  :30:Date Contract Agreed(Trade Date(8n))
                The date in which contract agreed (Format YYYYMMDD)

  :36:Exchange Rate (12 Number)

  : 72:/Sender to Receiver Information (Mandatory to be sent to CCIL)
        (In case of Constituent Trade, the Constituent ID shall reflect in field 72 as a Member or Counterparty as the case may be)

  :32R:Value Date(8n)/Currency Code(3a)/Amount Bought(15 Number)
        This field will contain the Value Date (Format YYYYMMDD) / Currency Code (for eg : USD) /
Amount Bought

:56A:Intermediary Bank (Swift Code) (Optional)
        Contains SWIFT code (Already Submitted to CCIL during Admission).

:57A: Account with The Institution
        Correspondent Bank Swift Code (Already Submitted to CCIL during Admission).
(In case of Constituent Trade, the Clearing Member ID of Constituent shall reflect in first field 57A.).

:33P: Value Date(8n)/Currency Code(3a)/Amount Bought(15 Number)
This field will contain the Value Date (Format YYYYMMDD) / Currency Code (for eg : USD) / Amount Sold.

:53A: Sender's Correspondent (Optional)

:56A: Intermediary Bank(Swift Code) (Optional)
        Contains SWIFT code (Already Submitted to CCIL during Admission).

: 57A: Account with The Institution
        Correspondent Bank Swift Code (Already Submitted to CCIL during Admission).
(In case of Constituent Trade, the Clearing Member ID of the counterparty shall reflect in second field57A)

:26H: Spot rate in case of outright forward trade.
        (Will remain blank in case of other than outright forward trade 12 numbers)

:77D: Time of trade (Mandatory -6 numbers)
-}

Example 1:
<u>Trade between 2 Clearing Members</u>

Txn Ref No : B41194,
Related Ref :NEWT,
Common Ref : 200110180000001F
Trade Date :18-OCT-20,
Exchange Rate: 78.000000,
Sender to receiver Information :
CCIL Member Id : CCBPABCD0001
CCIL CounterParty Id : CCBFCDEF0002

Amount bought:
Value Date : 22-OCT-20
Currency Code: USD,
Amount Bought : 1000000.00,
Account Of Institution :CHASUS33,

Amount Sold:
Value Date :22-OCT-20
Currency Code: INR
Amount Sold : 78000000.00
Account Of Institution : RBI

The message Format to be sent to CCIL will be:
{1:F01200111011800CBKCANA0005XXXXXXXXX}{2:300XXX200111011800CCILINB1XXXXXX
XXXXXX00XXX}{4:
:20:B41194
:21:NEWT
:22:202010180000001F
:30:20201018
:36:78.000000
:72:/CCBPABCD0001CCBFCDEF0002
:32R:20201022USD1000000.00
:57A:CHASUS33 (Coresspondent Bank for the currency bought)
:33P:20201022INR78000000.00
:57A:RBISINBB
:26H:78.00
:77D:105402
-}

Example 2:

Trade between a Clearing Member and Constituent:

Txn Ref No : B41195,

Related Ref :NEWT,

Common Ref : 200110180000002F

Trade Date :18-OCT-20,

Exchange Rate: 78.000000,

Sender to receiver Information :

CCIL Member Id : CCBPABCD0001

CCIL CounterParty Id : CMPI32AM7387

Amount bought:

Value Date : 22-OCT-20

Currency Code: USD,

Amount Bought : 1000000.00,

Account Of Institution :CHASUS33,

Amount Sold:

Value Date :22-OCT-20

Currency Code: INR

Amount Sold : 78000000.00

Account Of Institution : RBI

Message Format to be sent to CCIL

{1:F01200111011800CBKCANA0005XXXXXXXXX}{2:300XXX200111011800CCILINB1XXXXXX
XXXXXX00XXX}{4:
:20:B41195
:21:NEWT
:22:202010180000002F
:30:20201018
:36:78.000000
:72:/CCBPABCD0001CMPI32AM7387←*Constituent Id*
:32R:20201022USD1000000.00
:57A:CHASUS33 (Coresspondent Bank for the currency bought)
:33P:20201022INR78000000.00
:57A: CCBFCDEF0002←*Clearing Member ID of the Constituent*
:26H:78.00
:77D:105402
-}

Note :

- SFMS branch server will append the Header 1 and 2 when SFMS is live.

- Headers should be on the same line.

- Header 1 consists of 35 characters.

- Header 2 consists of 43 characters.

- All Mandatory Fields to be filled in compulsorily.

- The file name should not bear any special characters nor have any blank spaces.

- All files should be saved as **.ccil (lower case) in case of trades to be settled through CCIL and .nfsf for not for settlement trades.**

- No blank lines to be left between 2 deals.

- At the end of the message file **<CrLf>**is mandatory.

- A file may contain "N" number of messages.

- When a record of a file fails validations on account of format being incorrect or any other data inconsistencies the record is put in the rejected folder of the member with a reason mentioned thereof. The record could be re sent as a **NEWT** record.

- When any record fails on account of business validations a Rejected Deal Report would go out to the member. In this case members would need to re send this record as **AMND.**

- No commas to be used in the IFN300 message.