



NOTIFICATION

**This has been superseded by Notification No. CCIL/FX/USD-
INR/19/06 dated 08-Jan-2019 on Changes to Forex Settlement
Regulations**

22nd August 2017

Notification No.: CCIL/FX/USD-INR/17/24

**All Member Banks
Forex Settlement Segment**

Dear Sir/Madam,

**Re: Settlement through Multiple Settlement Banks (SB) and the related changes to
the Forex Settlement Regulations.**

CCIL is currently availing the services of two Settlement Banks viz. Wells Fargo Bank N.A and Deutsche Bankers Trust Company Americas, New York for its U S Dollar settlement in Forex Settlement Segment. Settlement is alternated between the two banks, the switch happening periodically.

2. **Effective 25th September 2017**, it is proposed to conduct US Dollar settlement through multiple settlement banks simultaneously. This would result in distribution of USD balances in Multiple Settlement Banks thereby reducing the exposure on a single Settlement Bank. The approach shall also enable members to settle in the CCIL's Settlement Bank of their preference.
3. To start with, CCIL shall use the Settlement Bank services from the two current settlement banks viz. Wells Fargo Bank N.A. (WFB) & Deutsche Bank Trust Company Americas (DBTCA). Members shall be advised as and when new Settlement Banks are added.
4. The revised settlement process under the multiple settlement bank model is as under:
 - i. Member Banks shall identify any one settlement bank for the purpose of CCIL USD **settlement in the format enclosed as Annexure I positively by 20th September, 2017.** *(Banks may mail the scanned copy of Annexure I duly signed by authorized signatory and stamped on frx@ccilindia.co.in).*
 - ii. Members having US Dollar pay-in obligation with CCIL shall remit their US Dollar funds to this identified Settlement account once the Net Obligations are crystallised.

- iii. Members having US Dollar pay-out obligation, shall also receive their USD funds in their Nostro account from the identified CCIL's Settlement account. CCIL shall initiate the USD payouts on receipt of Rupee settlement confirmation from RBI.
- iv. Direct Debit members shall advise their correspondent bank of the said arrangement. CCIL shall initiate the direct debit message to debit member's nostro account for the USD pay-in position for further credit to CCIL's account with the identified Settlement Bank. Direct Debit members are required to change, if necessary, the bilateral agreement/letter provided to their nostros and a copy thereof to be given to CCIL for its record.

Further, the Forex Settlement Segment Regulations have been modified to reflect the Multiple Settlement Bank model. The changes to the Regulations of the Forex Settlement Segment have been appended herewith as **Annexure**. The updated Regulations are also available on our website (www.ccilindia.com) under Membership section.

Yours faithfully,

for The Clearing Corporation of India Ltd.,

**Sd/-
Managing Director**

Encl: as above

Annexure to Notification No.CCIL/FX/USD-INR/17/

THE CLEARING CORPORATION OF INDIA LIMITED

**CHANGES TO REGULATIONS
(FOREX SETTLEMENT SEGMENT)**

Chapter IV: TRADE SETTLEMENT

J) SETTLEMENT PROCESS

- 1) Settlement of all matched cash, tom, spot and forward inter-bank USD-INR forex Trades shall be effected through a process of netting by novation. Such settlement will be on a multilateral netting basis.
- 2) If two Members enter into a forex transaction governed by Bye-Laws, Rules and Regulations and the transaction is novated by Clearing Corporation, then each such Member's currency obligation shall be deemed to have been individually cancelled and simultaneously replaced by a new obligation in the same currency as against Clearing Corporation for the same value date.

The amounts of such currency that shall otherwise have been deliverable or receivable by each Member to or from every other counter-party Member on such value date shall be netted and replaced by a contract for the net deliverable or receivable to or from Clearing Corporation. The settlement shall be final and irrevocable when the net obligations are determined.

- 3)
 - a. Clearing Corporation shall notify the names of Settlement Banks for effecting settlement of USD obligations of members. Members shall identify one of these Settlement Banks for settlement of their Net U S Dollar obligations with Clearing Corporation. Accordingly, all pay-ins/pay-outs shall be paid/received by the member in the identified settlement bank. However, in case of temporary enhancement by way of Pre-funding, a member may opt to pay in more than one Settlement account.
 - b. Members shall notify any change in the identified Settlement Bank at least 3 days before any such change takes effect. Provided however, that Clearing Corporation shall have the right to waive such notice period.
 - c. However, in case of any disruption of services of the member's identified settlement bank, Clearing Corporation shall have the right to carry out settlements through any other notified Settlement Bank to complete settlements. In the event of disruption of services in the member's identified settlement bank, Clearing Corporation shall advise the member of such disruption as soon as possible by whatever means available, which may include mail or any other mode of communication.

K). MODES OF PAYMENT

A) PAY-IN OBLIGATION

1) (a) Member having a net pay-in position in USD shall;

- i. have executed a Direct Debit Mandate (MT-204/MT-202R) to enable Clearing Corporation to raise a direct debit with the Member's Correspondent Bank in USD to collect the payable position in USD and credit the funds in the identified Settlement Bank; or
- ii. send the necessary payment instructions to its correspondent bank for its payment obligations in USD to the member identified Settlement Bank.

Settlement of all trade obligations by a Member shall be deemed to have been completed by that Member upon actual receipt of payment by Clearing Corporation into its ~~NOSTRO~~ Settlement account(s) identified by that member on the settlement date within the cut-off time specified for the purpose.

B) PAY-OUT OBLIGATION

Clearing Corporation may from time to time prescribe different modes of payments and the conditions which such payments may be subject to. Clearing Corporation shall make to the Member pay-outs in the currency in which the Member has a Net-receivable, provided the Member has paid in the settlement obligation due in the currency payable. The modes of payments for all Trades are specified as under:

- a) Pay-outs in either currency shall be made to the extent of pay-in received in the other currency. In the event of a partial pay-in received, the amount of such pay-out shall be determined in terms of the latest available exchange rate.
- b) USD payments shall be effected through the member identified Settlement Bank for the net USD obligation of the member to the nostro account maintained by the Member with its correspondent bank. Members shall designate a single nostro account for the purpose;
Members shall notify any change in settlement instructions at least 7 days before such changes take effect.

CHAPTER VI: SETTLEMENT SHORTAGE AND DEFAULTS

D) SHORTAGE AND DEFAULT HANDLING PROCEDURE

1. Shortage/Default on USD obligation

- e. In the event the U S Dollar obligation is not received on the Settlement date, the same is treated as a Shortage and the Member in shortage shall repay the amount of USD shortage before 12 noon (IST) on the next business day i.e., the business day immediately following the date of shortage to the credit of Member identified Settlement Bank Account ~~the specified account of Clearing Corporation with the Settlement Agent~~. Provided that Clearing Corporation shall have authority to amend the prescribed cut-off time by giving appropriate advance notice to all Members;
- f.
 - i. In the event Clearing Corporation has paid the INR funds to the Member in shortage against unutilized balances in the Securities Segment SGF in terms of Chapter IV (K)(B)(d) of these Regulations, Clearing Corporation shall pending fulfillment of settlement obligations by the Member in shortage, immediately debit the account of such Member maintained with Reserve Bank of India with the INR pay-out made to the Member.
 - ii. The INR with-held or debited will be credited to the Member's account on receipt of confirmation regarding credit of the USD amount towards replenishment of shortage amount to the Member identified Settlement Bank account ~~of the Clearing Corporation~~.

2. Shortage/Default in Indian Rupee obligation

- e. Clearing Corporation shall, upon verification and being satisfied about receipt of amount of INR shortage together with all interest, penalties and charges from the Member in shortage within the time limits prescribed in clause (D)(2) (d) above, instruct the Member identified Settlement Bank ~~Settlement Agent~~ to release the USD funds payable to the account of the Member;

ANNEXURE I

(To be printed on Bank's Letterhead)

Ref:

Date:

Sr. Vice President
Forex Department
The Clearing Corporation of India Ltd.
CCIL Bhavan, S.K.Bole Road,
Dadar – (West),
Mumbai – 400028

Sir,

Re: Settlement Bank for CCIL's Settlement.

In terms of Chapter IV(J)(3) of the Forex Settlement Segment Regulations, our bank shall opt for following bank as our identified Settlement Bank for settlement of Net USD obligations (*both USD pay-in & pay-out*) with CCIL **w.e.f. 25th September, 2017.**

Wells Fargo Bank N.A., New York

Deutsche Bank Trust Company Americas, New York

Yours sincerely

**Authorised Signatory
Bank Name**