



THE CLEARING CORPORATION OF INDIA LTD.

NOTIFICATION

CLS Segment

9th September, 2022

Notification No.: CCIL/FXS-CLS/22/29

**To
Member Banks**

Dear Sir/Madam

Re: Inclusion of Overseas Branches of Indian Banks - CLS Segment.

CCIL has been facilitating Settlement of Cross Currency transactions to banks in India through CLS Bank by availing the third party services of Settlement Bank, UBS Switzerland AG.

In 2019, CCIL commenced settlement of Cross Currency transactions of IBU entities set up in IFSC –GIFT city Gujarat through the CCIL CLS mechanism. IBU entities situated in GIFT City are treated as foreign branch of an Indian bank and are permitted to settle their cross currency trades through CCIL CLS mechanism.

As an extension to the above, RBI has now accorded its approval for inclusion of Cross Currency transactions of overseas branches of Indian Banks through CCIL CLS mechanism. Risk mitigation and all CLS related advantages would be extended to overseas branches of Indian Banks. A detailed write-up on the Membership Criteria and processes is enclosed as **Annexure.**

Further, CLS Segment Regulations have been updated to reflect the above arrangement and is available on our website (www.ccilindia.com) under Membership section.

This Notification shall be effective from **10th October, 2022.**

Yours faithfully,
For The Clearing Corporation of India Ltd.,

**Sd/-
Managing Director**

**Inclusion of Cross Currency transactions of overseas branches of
Indian Banks through CLS**

I. Membership

The membership criteria for overseas branches of an Indian Bank in respect of CLS sub segment would be separate and distinct. The Membership eligibility criteria applicable shall be as under:

- a. The parent entity of the overseas branch of Indian bank shall be a Member of Clearing Corporation's CLS Segment.
- b. The applicant entity shall be an established overseas branch of Indian bank and shall not include subsidiaries, joint ventures, representative offices or other banking offices of Indian banks abroad.
- c. The Overseas branch of Indian bank shall have a separate BIC code distinct from its parent entity and IBU entity.
- d. The Overseas branch of Indian bank shall hold separate nostro accounts which would be distinct from nostro accounts maintained by its parent entity and IBU entity.
- e. The Overseas branch of Indian bank shall have adequate risk management systems and policies in place and qualified personnel in its employment.

II. Collateral

US Dollar cash will be the only form of acceptable collateral for overseas branch of Indian Banks for the two types of limits for a member with CCIL viz. Base CLS Limit and Additional CLS Limit.

III. Trade reporting and Currency Settlement Process

- a. Trades would be reported with their own BIC code. Counterparty to report the matching trades directly to CLS Bank.
- b. Reporting mechanism for Overseas Branches of Indian Banks would be FRS Internet mode.
- c. Settlements would be effected as is being currently done with existing members.
- d. The settlements of trades of Overseas branches of Indian Banks in CLS segment will be exclusively for the trades reported by these banks and there will not be any offset between trades reported by parent entity or any other entity and the IBU.

IV. Risk Management Process:

There would be no change in the risk management process for overseas branches and all risk management processes and procedures as applicable for existing CLS members would be made applicable for overseas branches also.

V. Advantages to Member Banks:

1. Unique structure/model wherein overseas branches would be included for CLS settlements.
2. Risk mitigation and all CLS related advantages would be extended to overseas branches of Indian Banks:
 - a. Elimination of the principal risk on all eligible FX trades.
 - b. Considerable reduction in liquidity requirement and improved funds flow.
 - c. Efficient operation, fewer payments, less Reconciliation, STP, less operational risk.
 - d. Facilitates easier Back Office Operations and minimal system change required by the CCIL's Member banks.
 - e. Real time Settlement confirmation.
 - f. Extended trading lines with Counterparties.
 - g. Higher credibility in the market under the umbrella of CCIL's CLS Segment.
